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CORE LIST

CENTRAL CAROLINA FARMERS

Growth and Operations





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AIMS OF CENTRAL CAROLINA FARMERS EXCHANGE, INC.

1. To provide members and patrons in the central area of the State with appropriate supplies and services to yield the greatest net return.
2. To operate on a sound financial basis, to strive to make adequate net savings, and to seek the best quality of supplies and services for patrons at the least cost.
3. To promote and assist interested farmers in production programs appropriate to this area.
4. To provide processing and marketing services for farmers when needed and practical.
5. To recognize the necessity for change in supplies and services as well as processing and marketing techniques in order to meet the changing needs of members and patrons.
6. To be alert for new opportunities to serve the needs of rural as well as urban patrons.
7. To promote the Cooperative with patrons and employees through planned educational programs, special meetings, news media, and other communications.
8. To be alert to join with other Cooperatives in joint ventures and in other working arrangements when it is in the best interest of our members and patrons.
9. To employ dependable, reliable employees and qualify them through our training program to meet patrons' needs for current information on new products and agricultural production programs.
10. To operate by the highest standards of business ethics, honesty, and fair play in all matters.
11. To be a good corporate citizen in communities where we have operations and to encourage our employees to participate in civic and community affairs.

Adopted by Board of Directors
May 21, 1971

CENTRAL CAROLINA FARMERS

Growth and Operations

Phillip F. Brown





Tobacco provided most of farmer's cash income when CCF first opened its doors.

HISTORICAL SETTING

Central Carolina Farmers Exchange, Inc. (CCF), Durham, N.C., is a cooperatively owned business built around marketing broilers, eggs, and livestock, and manufacturing feed for their production. To help producers of these commodities, CCF also furnishes production supplies, services, and some financing.

CCF achievement is impressive. Its integrated farm supply operations and its multicommodity marketing programs have had an intensive role in improving the economic lot of the farmers in its area. Could it be that other farming areas would be more viable if a full-service cooperative like CCF operated in their communities? How did CCF begin? Why was it successful? Who were the people behind it? What were the ideas and philosophies that guided them in shaping CCF?

Economic hardship was a seedbed for a new institution—a farmer cooperative—to help farmers find different commodities for their livelihood. A look at farmers' practices in the 1930's suggests the challenges and opportunities that faced CCF promoters intent on initiating change in the counties that the cooperative would serve.

AGRICULTURAL ENVIRONMENT

Independent family farmers who settled the Piedmont plateau in central North Carolina found that the rolling timberland and varied soil types limited farming to small-scale operations. Five of these Piedmont counties in the Durham area had 13,376 farms, averaging 37 acres of cropland and pasture and 44 acres of woodland in 1930. Only about 56 percent of the soil was good for general farming, 30 percent was fair, and the remaining 14 percent unsuitable. Erosion from many years of row-crop production further reduced soil fertility.

Tobacco sales provided most of the farmer's cash income. Cotton never was king in these five counties and had nearly disappeared by the 1920's. Poultry and livestock grown mostly for home consumption did find some sale outlets in local butcher shops. A few larger producers generated cash revenues from egg and milk routes in nearby Raleigh, Durham, or Chapel Hill.

The five counties had no effective marketing or supply cooperatives through most of the 1920's. The costly failure of a tri-State tobacco marketing cooperative in the mid-1920's soured interest in

cooperative ventures. However, group marketing of poultry, livestock, and some fruits and vegetables began in selected areas of North Carolina in the 1920's. These county "mutuals" were encouraged by the N.C. Department of Agriculture to assemble these commodities. Agriculture extension agents or vocational agriculture teachers usually managed the mutuals on an as-needed basis. These experiences generated ready cash and new interest, and were building blocks for CCF.

By 1930, Durham area farmers felt the depression severely. Tobacco prices were down and dropping lower, to a level two-thirds below the modest levels of the 1920's. Further demoralizing to farmers was a new tobacco disease—"Granville Wilt" that destroyed whole fields of the crop. Because many farmers had no cash, they depended on credit between tobacco crops. While they produced much of their own food, their poultry, egg, milk, and livestock production had not grown to supply local urban markets. Local leaders saw opportunities for farmers to diversify and revitalize the area's agriculture by supplying these commodities.

KEY LEADERSHIP

John Sprunt Hill, Durham banker and attorney with farm background and dairy interests, was one of these leaders. He provided key leadership for organizing CCF and sketching out its diversification objective. Hill's direction was based on a longstanding compassion for the plight of small farmers and others who he could not service adequately as a banker. He was quite aware of, and annoyed at, the usurious interest rates charged tobacco farmers who were frequently in perpetual debt to merchants.

Because of his farm and financial interests, he volunteered to represent North Carolina at his own expense as a member of President Taft's American Commission in 1913 to study rural credit and cooperative production and marketing in Europe. European cooperative agricultural credit and marketing impressed Hill and he made many speeches to promote rural credit and cooperative marketing by farmers to meet consumer food needs with uniform-quality products. He drafted the legislation enabling incorporation of rural credit unions in North Carolina, known then as "rural credits." He also immediately organized the Lowe's

Grove Credit Union, east of Durham. Not until the depression came did he find an opportunity to promote cooperative marketing.

The occasion was prompted by a Durham County home demonstration agent, Miss Rose Elwood Bryan, who needed more office space and a large room in which farmwomen could hold meetings and also operate a curb market. She believed the weekly operation of a Durham curb market where they could sell fresh produce would help them add to their meager cash income.

J. S. Hill saw the need to help this close friend of the family as an opportunity to organize a farmers' mutual exchange to implement those coordinated supply and marketing programs he had seen in Europe. He felt that agricultural borrowers could remain sound risks in a depression only if new commodity markets and low-cost supplies were available. As a dairy producer, he knew the need for a reliable supply of low-cost dairy feed. Even though the Lowe's Grove Credit Union successfully purchased some carlots of fertilizer and other supplies for members, this function had not thrived.

Arrangements were made with the county commissioners and the director of Extension Service to use a vacant hosiery mill building, owned by Hill, for Extension Service offices, meeting rooms, a curb market, and a farmers' mutual exchange headquarters. Hill enlisted his son, George Watts Hill, to coordinate organization of the mutual exchange and supervise building renovation.

BIRTH OF CCF

On March 13, 1930, in the newly prepared service building, about 400 farm families attended a meeting to start the cooperative.

Although Durham County farmers preferred the traditional exchange serving only one county, J. S. Hill felt that the county was too small to support an exchange, and suggested extending service to a Durham trade area of up to 50 miles. However, because exchanges existed on paper in neighboring counties, the assembly decided to organize Durham County farmers only, and invite the other exchanges to merge with it at a later date.

These farmers selected seven directors. At this and subsequent community meetings, farmers subscribed \$450 in stock to start the exchange. To the meager

stock subscription, John Sprunt Hill later added \$1,000 and the Durham Bank and Trust Co., extended a \$10,000 line of credit for operating capital.

KEY FEATURES BEHIND CCF'S GROWTH

In 45 years, CCF has become a well coordinated business, providing \$37 million worth of farm supplies to members annually and marketing more than \$29 million worth of their broilers, eggs, and livestock. Despite vast changes in the agricultural economy, CCF has remained the same organization as was begun in 1930–33. How did it accomplish this? Management initiated production-marketing programs that built a diversified cooperative and kept alive its goals to serve area farmers.

Manager's Pursuit of Objectives

CCF's organizational appeal to farmers was its ability to offer lower price and quality supplies of feed, fertilizer, and seed, and to find new market outlets for farm products, thereby enhancing their farm income. At the outset, J. S. Hill set CCF's long-term objective, which has been to diversify from tobacco by encouraging production of poultry, livestock, and dairy products. Since he did not intend to be an active participant in implementing this objective he didn't leave to chance the selection of a manager who would pursue it.

G. W. Hill asked the director of the N.C. Extension Service for names of candidates likely to accept the young organization's aims and able to manage a business. Impressed with his unusual results in marketing products from mountainous Jackson County, the director suggested a young county extension agent, Clifford W. Tilson. G. W. Hill interviewed and recommended Tilson for manager to the newly formed CCF board. Tilson accepted the post and took up agricultural diversification as his own mandate, a task he pursued for 37 years until his retirement in 1967.

During his youth, Tilson was convinced that farmers' primary problem was not in producing crops but in marketing them. In hopes of doing something about marketing problems, he specialized in animal husbandry and marketing at North Carolina State University. He began work as an extension agent in Jackson County in 1925 under instructions from the

county commissioners to do something about marketing cattle, sheep, wool, lambs, potatoes, apples, cabbages, and other fruits and vegetables. During those 5 years, he brought improved beef and dairy breeding stock into the area, organized a cream route, and urged farmers to grow those vegetables suited to market needs. He directed organization of the Smoky Mountain Mutual Exchange to market these commodities and live poultry.

Initial Financial Backing

John Sprunt Hill was honored as "Father and Founder of the Farmers Mutual Exchange" at CCF's 1940 annual meeting. His financial help did not cease with the initial stock subscription and renovated, rent-free service building. He donated CCF's first seed cleaner, backed preparation of a poultry processing room, and later donated funds for the first poultry processing plant in North Carolina. Timely inputs during the depression probably saved the infant poultry marketing program and gave early independence to the farm supply side of the business. These and other contributions over the first 10 years totaled \$37,000.

The Durham Bank and Trust Co. extended credit for routine and emergency operating needs. Also, it supplied all facility loans for nearly 25 years. Hill,

who was president of this bank, was a promoter with faith in what people might do with a cooperative opportunity and one of his favorite mottos, "Great oaks from little acorns grow," expressed that faith.

Program Implementation

CCF opened its doors March 14, 1930, doing what it could do most effectively: Selling feed, fertilizer, and seed. Tilson immediately began planning marketing programs.

Qualified program managers were the key to successful pursuit of each marketing program. Careful selection of department managers was based on their training, experience, and leadership ability. When managers failed to perform as desired in either marketing or supply programs, they were shifted to functions which could use their best skills or they departed.

Connor Kennett was hired as CCF's broiler program manager and in this role, he introduced commercial broiler production to North Carolina. A college graduate specializing in poultry, he was first a poultry marketing specialist and then a supervisor of State-approved hatcheries for 6 years with the N.C. Department of Agriculture. Tilson persuaded Kennett to join the cooperative in 1931 to develop a market



CCF's first service store and headquarters in 1930.

for poultry and eggs in the Durham trade area and to promote production to help supply this demand once it was created.

Kennett's initial strategy was operation of a modest processing room to prepare chickens for local sale, together with truck and carlot marketing of live poultry from North and South Carolina. This helped to supply the processing operation and to show producers the cooperative offered a reliable market for their poultry. Their success led to building the first North Carolina poultry processing plant in 1934.

Kennett continually encouraged farmers in CCF's area to establish poultry flocks or to produce broilers. In time, producers and CCF gradually developed an integrated broiler program, complete with breeding flocks, a hatchery, a processing plant, feed, other supplies, and field supervision.

Despite the early successes in poultry marketing, CCF did not diversify into an egg marketing program until the mid-1950's, for lack of the right program manager. Kennett began egg marketing with the surplus production that occurred only in the spring. Some patrons operated their own egg routes and CCF was reluctant to compete with them year-round in the local market. Since Kennett was fully occupied with broilers, he and Tilson concurred by 1952 that a full-time egg marketing manager should be employed.

With the hiring of John Hamby in 1956, CCF had an egg manager who could develop a production program coordinated with egg marketing. Hamby built up CCF sales to chainstores by offering eggs washed, candled, sized and graded, and packed in attractive cartons—a service chainstores were providing themselves, using eggs from the North Central States.

Tilson assumed a more active role in implementing livestock and dairy programs than in the poultry program which Kennett had taken over so skillfully. Because livestock was not a significant source of income to most producers, marketing programs were difficult to implement, but Tilson was persistent and patient.

Gradually, by 1941, the needs of dairy producers who wished to market calves, cull cows, and bulls led to opening a livestock auction market. CCF constructed a small abattoir and later a meat processing and cold-storage facility as part of its program to enhance local demand for locally grown beef and swine.

Throughout the 1930's and into the 1940's, Tilson



Clifford W. Tilson, general manager (1930-67).

sought for ways to initiate cooperative milk marketing and expand the area's grade A milk production. Finally, failure of a bargaining association prompted the formation of a milk marketing cooperative in 1946. Merged with Dairymen Inc., in 1974, the former Long Meadow Farms Cooperative markets more than \$16 million worth of milk and milk products a year.

A decision to market milk apart from CCF did not eliminate Tilson's and CCF's role. Tilson served as public director on the Long Meadow board for about 25 years. CCF aggressively promoted and supplied dairy equipment, feed, and farm supplies to help patrons produce milk profitably.

Continuing efforts to encourage livestock and milk production were buttressed in 1946 by the arrival of a livestock specialist, Jack Tilson (brother of C. W. Tilson). He later became CCF's manager for livestock production and marketing.

Successful production-marketing programs in broilers, eggs, livestock, and milk depend on adequate feed, seed, fertilizer, and other farm

supplies. C. W. Tilson personally managed these operations in CCF's early years. By 1950, capable managers were in charge of feed manufacturing, fertilizer, wholesale farm supplies, and distribution of these lines through eight service centers operated by CCF.

Feed

Because CCF's trade area has traditionally been a deficit grain-producing area, manufactured feed is basic to the success of CCF production-marketing programs. Small farms, poor soils, and absence of mechanization limit the area's potential for efficient grain production. Therefore, most producers of poultry, eggs, milk, and livestock cannot rely on growing their own grain supplies, but must purchase manufactured feeds.

Sale of feed prepared by CCF is a necessity to carry out its broiler, egg, and livestock programs. By manufacturing in its own facilities, CCF program managers can better control feed quality and the quantity available. Supplying high-quality feed at reasonable prices to members enhances their ability to realize adequate returns and stay in business over a long term.

Livestock and dairy producers are encouraged to develop their pasture resource instead of their grain production resource, because grain can be purchased more advantageously than forage. Nevertheless, CCF always provided the best seed and fertilizer for pastures and grain, and custom grinding and mixing services to prepare grain for feeding. In 1971–72, for example, CCF custom-ground about 17,000 tons of grain for producers—equivalent to 11 percent of total feed and supplements manufactured in CCF's Durham feed mill.

Credit Services

Credit to help patrons purchase supplies was basic to CCF's growth and its effect on the area's agriculture. CCF policy on credit came about slowly, primarily during the past 20 years, and then only very reluctantly. Extension of credit was not intended as one of the strategies to change the area's agriculture.

CCF began its operations with cash sales only. Tilson and Kennett staunchly believed each producer should arrange his own financing. In CCF's earlier years, prices with modest margins for production

supplies were considered an attractive inducement for the producer to secure funds elsewhere and pay cash. Management believed this financial self reliance encouraged the producer to be more thrifty and efficient. Later, Tilson believed this view was vindicated when integrator's financing of broiler and egg production led to overproduction. He believed CCF could not finance its operations and those of the producer without jeopardizing the cooperative's solvency.

This caution was challenged by awareness that the farmer needed more credit than he was willing or able to borrow to grow significantly and to use supplies offered by the cooperative. When new lines of installment credit or contracts were extended, they were on a trial basis to give management a chance to evaluate and cultivate patron response, develop controls, and get experience in providing the new form of credit.

As it turned out, development of credit helped both producers and their cooperative. At various times, CCF needed more volume to supply an expanding market or better use the capacity in the feed mill, broiler processing plant, or other facility. And on several occasions, low broiler and egg prices forced the use of production contracts to maintain volume. Thus once a marketing program was underway, need to effectively utilize CCF facilities was a factor in decisions to extend credit and to increase the amount of credit extended. In turn, the production contracts helped patrons by ensuring them a market outlet.

A Compact Service Area

Because North Carolina mutual exchanges organized in the 1920's and 1930's customarily restricted activities to one county or less, Durham County producers in March 1930 wanted to limit the new exchange to their county alone. However, Tilson concurred with J. S. Hill that diversification of the area's agriculture depended on a regional program.

Tilson's approach to expansion was to first establish a service outlet in Durham, dispel the notion that it was a Hill-controlled establishment, and informally offer marketing and supply services to neighboring counties. Later, the inactive neighboring exchanges were welcomed; at the January 1933 annual meeting, four of these exchanges did join.

CCF service stores are found only within these five counties, though they also serve many patrons in



In 1934, this new building housed the first modern poultry processing plant in North Carolina.

adjoining counties. CCF pursued intense development in this limited region rather than much larger coverage with superficial impact. This policy decision was by choice and by circumstances stemming from operations of the Producers Mutual Exchange in 1931–34.

By 1931, more than 25 North Carolina county mutual exchanges were participating in carlot marketing of poultry and livestock and carlot purchasing of some farm supplies. Several agricultural agencies, appreciating the value of these collective efforts for farmers, recognized that these small mutual exchanges needed a central office to perform the wholesale supply function and coordinate marketing.

Therefore, the Division of Markets and Agricultural Extension Service promoted the idea of forming a statewide wholesale cooperative among county exchange leaders. Their efforts resulted in the North Carolina Producers Mutual Exchange (PME), for which the first board of directors was elected March

4, 1931. And because of Tilson's strong belief in the need for a statewide wholesale business and participation in its organization, he was selected as a director and elected president.

In November 1931, the PME manager opened his office in the cooperative's building. In addition to marketing eggs and poultry, PME contracted for supplies of its own brand of open-formula feeds and fertilizers that were distributed to the county exchanges.

With CCF as their example in 1933, PME management expressed hope of establishing six or eight similar plants in North Carolina to market eggs and dressed poultry, and operate hammer mills, feed mixers, and seed cleaners to serve producers within multicounty areas.

Unfortunately, PME incurred operating losses in poultry marketing for 3 years and needed some change in its structure. An annual American Institute of Cooperation meeting in Raleigh, July 1933, provided a forum for discussion of cooperative and



Built in 1935, this feed mill received several additions and many improvements before replacement by a modern feed plant in 1965.

agricultural programs in North Carolina. As a result, Tilson approached M. G. Mann, secretary-treasurer of Cotton Growers Supply Company, suggesting they combine with PME to operate a more efficient supply business. In brief, following 9 months of negotiations, PME, Cotton Growers Supply Company, and the Southern States Cooperative operations in North Carolina were combined as Farmers Cooperative Exchange, Inc. (FCX). M. G. Mann was selected general manager.

The negotiations brought out sharp differences in objectives between Mann and Tilson. FCX was intended to perform only a supply function, and not pursue PME's marketing functions. Secondly, to overcome what had been considered a weakness of a federated organization like PME, Mann encouraged the county mutual exchanges to become branches of FCX, thereby creating a centralized cooperative. This structure would absorb CCF and end Tilson's ability to use CCF in building year-round markets and a diversified agriculture in the Durham area.

Tilson resolved these differences with two agreements particularly pertinent to CCF's future. CCF stockholders would continue to own stock in and be active members of CCF. In turn, CCF would establish a federated relationship with FCX and own FCX stock. Second, the two men agreed on the scope of activities and programs to be promoted in the general geographic area involved so as to avoid duplicating efforts. However, no agreement exists between the two cooperatives today.

Merger with FCX was discussed with Mann. Tilson rejected merger arrangements which would have given CCF outlets no more continuity and status than individual branches of FCX. In turn, Tilson worked with W. G. Wysor, at the time manager of Southern States, to effect a merger of CCF and FCX with Southern States. Mann, desiring to maintain his cooperative's identity, would not oblige. Today, these cooperatives have good working and competitive relationships.



OPERATIONS TODAY

VOLUME

Broilers, eggs, and livestock marketed for patrons nearly equal in value the feed, fertilizer, fuel, and other farm supplies purchased by patrons. CCF's combined volume in 1974–75 was \$66.4 million (table 1).

CCF distributed \$465,000 in net savings to patrons in 1975. Savings come primarily from patron purchases and are distributed based on this patronage with one exception: Pounds of meat raised by broiler producers is their measure of patronage and the basis for distributing earnings from the broiler program.

CAPITAL

By 1975, CCF assets reached \$16.2 million, and net worth provided by patrons grew to \$6.8 million (table 2).

Members finance CCF by leaving some of their net savings in the cooperative each year and by purchasing preferred stock and debentures. Common stock and noninterest-bearing allocated reserves evidence the savings invested by members.

CCF returns the oldest retained savings in cash to members after using these funds for 20 years. The board hopes to shorten this revolving period. But CCF's bootstrap efforts to meet members' needs make this a hard goal to achieve. Mushrooming capital requirements—to build a feed mill, a fertilizer mixing plant, and other facilities; for operating capital; and for retiring equity capital to estates and to those who cease farming—have required that members' capital be retained for long periods. There is also an acute awareness that higher margins mean producers will concurrently have less money for investing in their farm operations.

To raise additional working capital and give members the benefit of the interest expense, CCF sells preferred stock and debentures. Members own most of this preferred stock and debentures.

Borrowed capital for short-term and long-term needs comes mostly from the Bank for Cooperatives. CCF gets some short-term capital from the Central Carolina Bank, a friend and supporter since 1930.

ORGANIZATIONAL STRUCTURE

CCF ownership and control is a three-level relationship of members, directors, and hired

management. Community directors, who are also members and leading farmers in their service store's area, have an active semiofficial role in communication between members and management.

Members

Any producer of agricultural products within the CCF operating territory may become a member by acquiring one share of \$10 par value common stock, and by agreeing to comply with the CCF bylaws and patronize the cooperative. Members cast one vote each on the issues raised at annual and special membership meetings.

Traditionally, producer patrons become members when issued stock as their share of the annual net savings. An agricultural producer may be a person, firm, partnership, corporation or association, and may be landlords or tenants. Their patronage is the production supplies they purchase from CCF and the livestock, poultry, and poultry products they market through CCF.

In 1975, CCF had 6,000 member patrons. This number, while one-third the membership 20 years ago, reflects CCF's policy of limiting membership to current producer-patrons.

Member ownership and investment in CCF takes several forms. In 1975, members held \$3 million in common stock and allocated retains. Primarily members, but also former members and community supporters, hold \$2.7 million in preferred stock and debentures.

Board

The CCF board of directors controls the cooperative by approving policies and regulations, employing the general manager and fixing his responsibilities, approving leases or investments in land and facilities, borrowing money, setting credit policies used by management, and approving joint ventures and the redemption of CCF stock.

Twelve directors elected from CCF membership and one public director appointed by the director of North Carolina Agricultural Extension Service make up the board. Directors elect a president, vice president, and secretary from among themselves, and a treasurer and assistant secretary-treasurer who may or may not be directors. The general manager is usually treasurer. An executive committee includes

Table 1—Patrons' purchases and sales through Central Carolina Farmers Exchange, selected fiscal years, 1930-75

Item	1930	1934/35	1939/40	1944/45	1949/50	1954/55	1959/60	1964/65	1969/70	1974-75
1,000 dollars										
Patrons' purchases:										
Feed	}	119	295	1,591	3,002	5,879 ¹	7,079	8,850	12,724	25,262
Seed		61	41	57	160	333	378	352	380	417
Fertilizer			30	95	187	443	553	616	966	1,480
Farm supplies		—	6	33	104	515	883	1,372	1,949	2,264
Fuels		—	—	—	—	—	—	226	695	2,516
Chicks and pullets		—	—	—	125	295	815	1,247	1,743	402
Meat		—	—	—	—	—	90	121	619	981
Trucking		—	—	—	—	—	—	—	291	377
Total purchases		61	196	480	2,167	4,588	8,508	10,756	14,235	18,892
Marketing for patrons:										
Eggs	—	29	11	169	29	232	1,604	2,318	3,751	6,154
Poultry ¹	—	87	95	731	1,899	5,234	5,571	3,812	—	—
Livestock market fee	—	—	—	18	21	59	76	66	118	100
Meat processing	—	—	—	—	32	57	60	60	92	218
Miscellaneous	—	—	—	86	60	—	93	133	—	—
Total marketing	—	116	106	1,004	2,041	5,582	7,404	6,389	3,961	6,472
Other production by patrons:										
Hatching eggs	—	—	—	43	177	528	725	²	²	²
Gold Kist poultry ¹	—	—	—	—	—	—	—	3,865	11,564	19,365
Livestock (net)	—	—	—	}	424	1,111	1,879	1,976	3,664	3,135
Grain and seed	—	³	³		437	613	512	³	³	³
Total other	—	—	—	400	1,038	2,252	3,116	5,841	15,228	22,500
Total purchases, marketing and other	61	312	586	3,571	7,667	16,342	21,276	26,465	38,081	66,376
Net savings for distribution	2	6	28	138	209	394	569	381	889	465

¹ Includes only 6 months in 1964-65.

² Included in poultry and eggs.

³ Not available.

Table 2—Central Carolina Farmers Exchange assets and net worth, selected fiscal years, 1930-75

Year	Assets				Net worth ¹
	Current	Fixed	Other	Total	
1,000 dollars					
1930	4.4	0.3	—	4.7	0.3
1934/35	17	19	1	37	28
1939/40	66	42	5	113	98
1944/45	379	124	7	510	478
1949/50	918	558	16	1,492	1,246
1954/55	1,855	1,486	43	3,385	2,623
1959/60	3,119	1,892	93	5,104	3,821
1964/65	3,535	3,000	264	6,799	4,125
1969/70	5,060	3,886	1,148	10,094	4,964
1974/75	8,850	5,637	1,706	16,193	6,798

¹ Includes common and preferred stock, allocated and unallocated net margins, and undistributed net savings.

the president, vice president, secretary, and three other directors.

Directors represent their county. Their number in each county is in the same proportion as the number of members in that county bears to the total CCF membership.

Elected directors serve 2-year terms; half the directors are elected each year. Three-man committees of community directors nominate directors for each county. A primary election by patrons in that county selects the candidate for election at the annual membership meeting.

New director nominations normally come from among the ranks of community directors. While the nomination process is in the farmers' hands, management encourages selection of candidates who could be expected to contribute significantly as directors and who would have the ability to promote CCF and its services with producers.

Thirty-nine directors served CCF in 45 years. Many directors served 10 to 30 years. To help stimulate rotation, the board adopted a policy providing that directors attaining 69 years of age would not run for reelection.

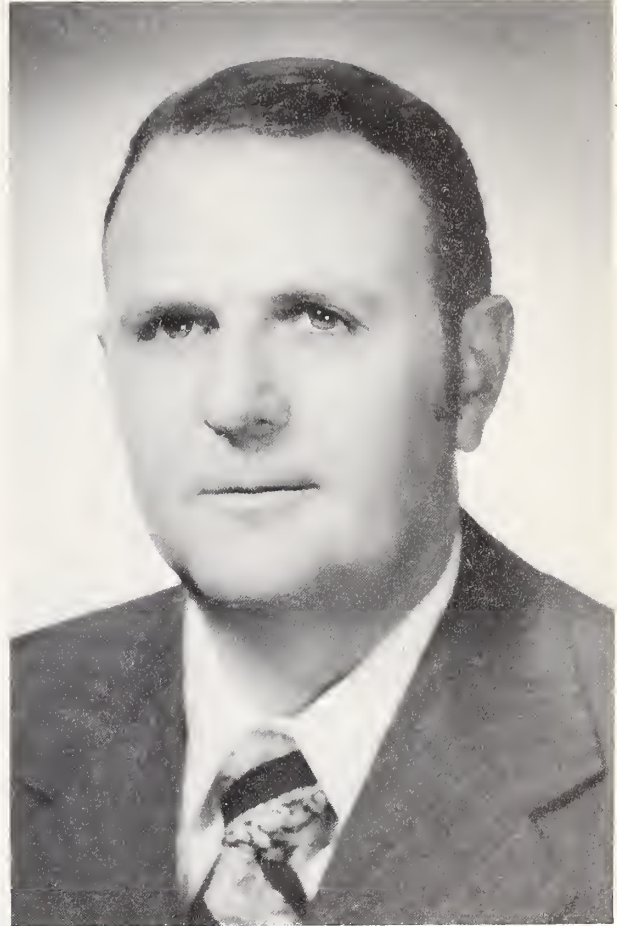
Directors provide continuing leadership and assistance to hired management. Past and present general managers are proud of the boards under which they have served.

Community Directors

CCF effectively uses 235 community directors for communication between members and management and for nomination of directors to the CCF board. The board establishes the number of community directors assigned to each of the eight service stores and their duties.

Community directors serve 3-year terms. They are all elected at annual membership meetings held in each service-store area. The chairman of community directors and two CCF directors from that county nominate the community directors. The local service-store manager and director of service stores are available to advise this committee. Members may also nominate from the floor.

Separate community director meetings for each service store are held twice a year, with one meeting before the CCF annual meeting. Agenda includes reports of sales at the local service store and for the



G. Brantley DeLoatche, general manager (1967-).

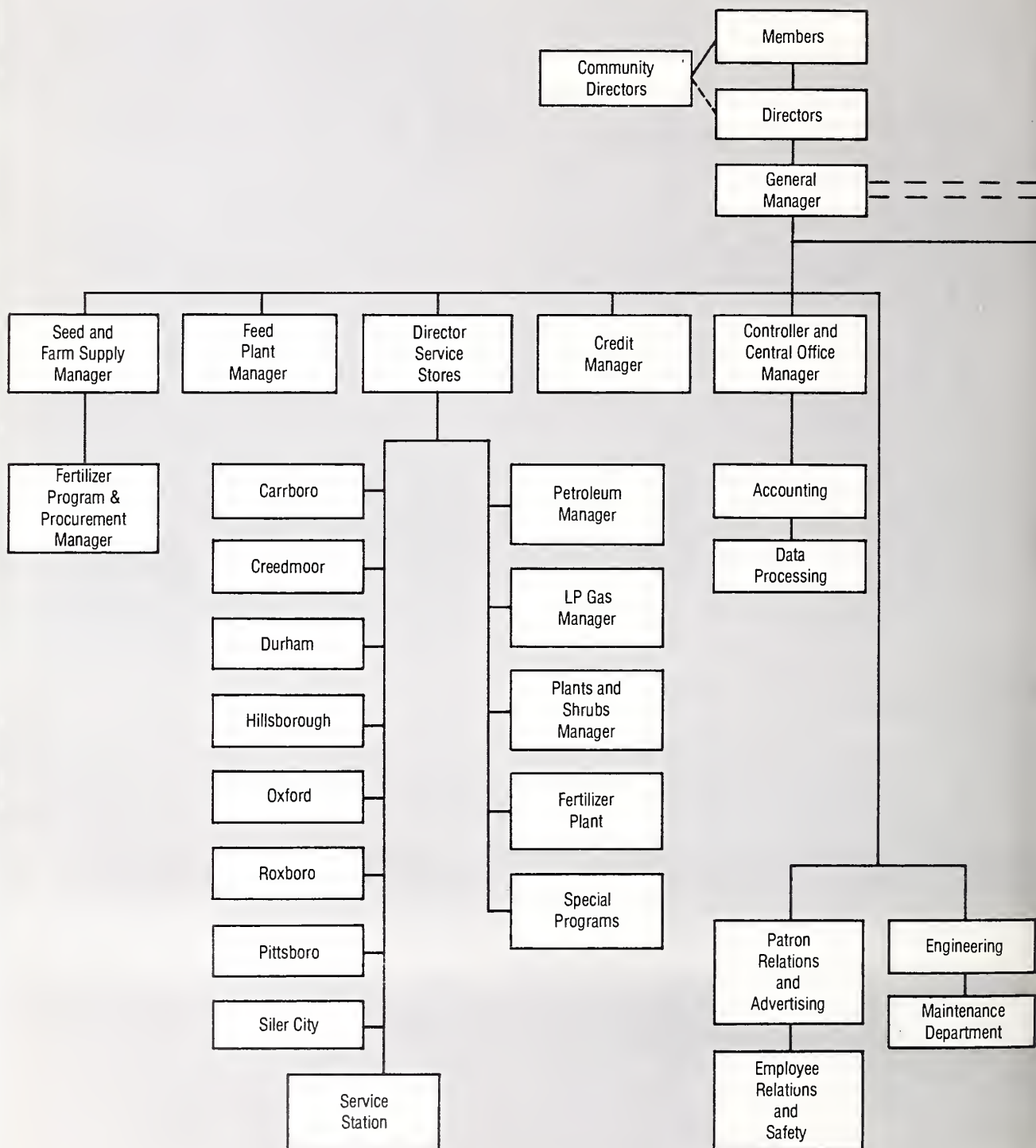
entire cooperative, discussion of new or expanded services needed at the store, and CCF's production and marketing programs affecting producers in the area.

Executive Management

The general manager directs CCF operations. An assistant general manager directs commodity marketing. Eight department managers, including the director of service stores, report directly to the general manager (fig. 1).

The general manager carries out the policies of the board of directors in operating CCF supply, marketing, and other services provided patrons. He's responsible for: Efficient operation; all CCF accounts, funds, and property; long-range financial planning for services and facilities to meet patron needs; selecting the assistant general manager; employing department

Figure 1 – Organization Chart of Central Carolina Farmers Exchange, Inc. 1975



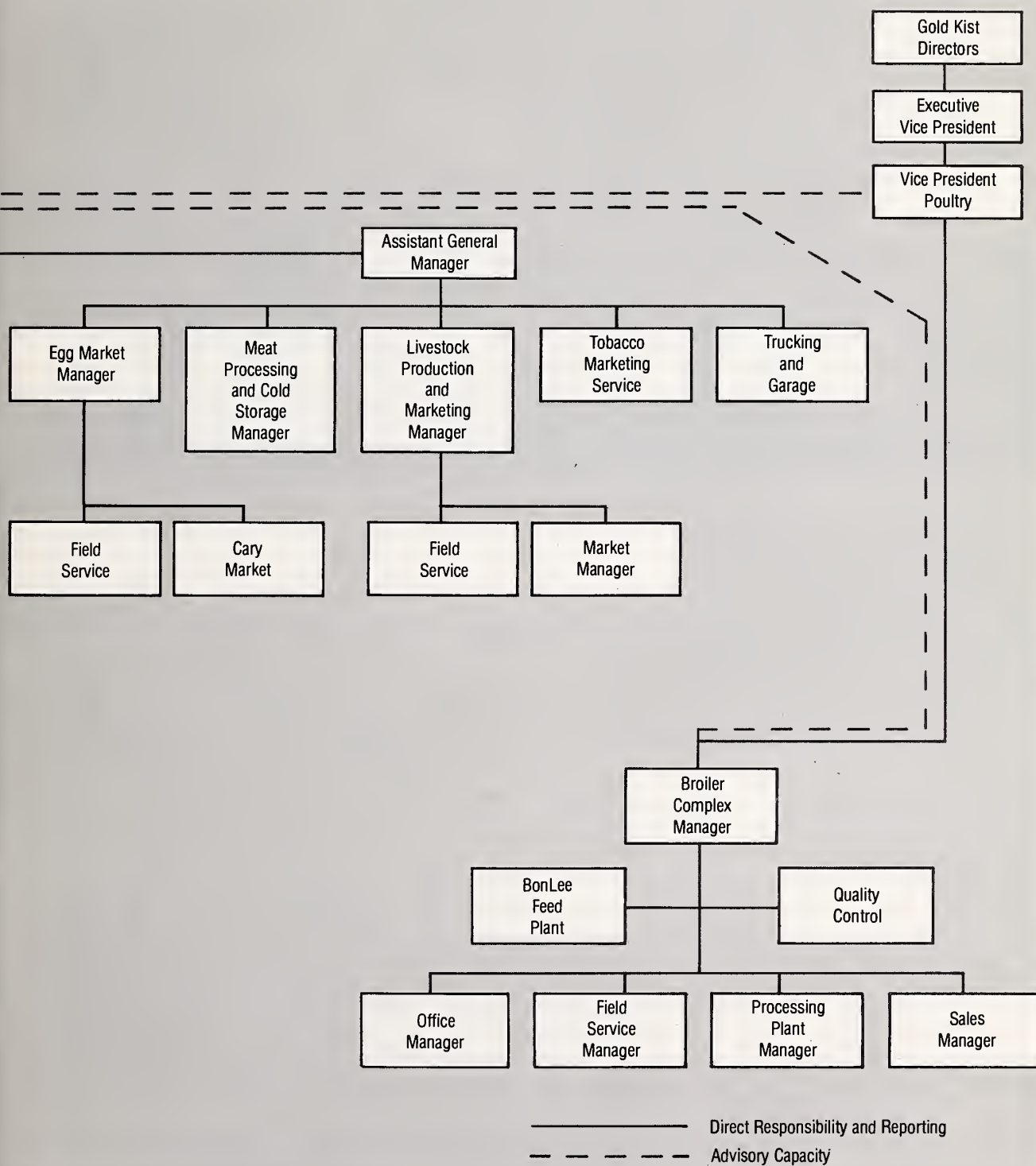
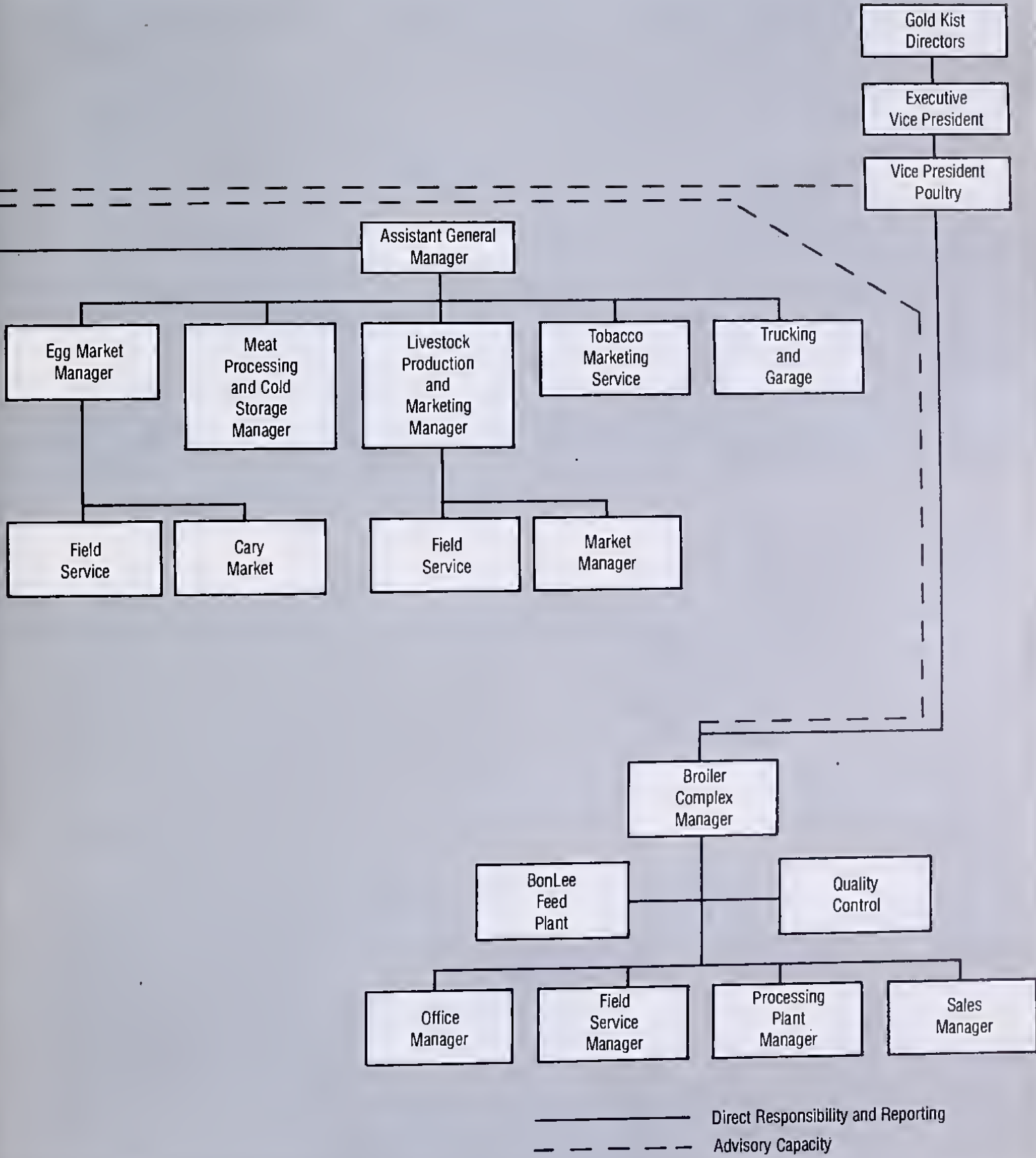
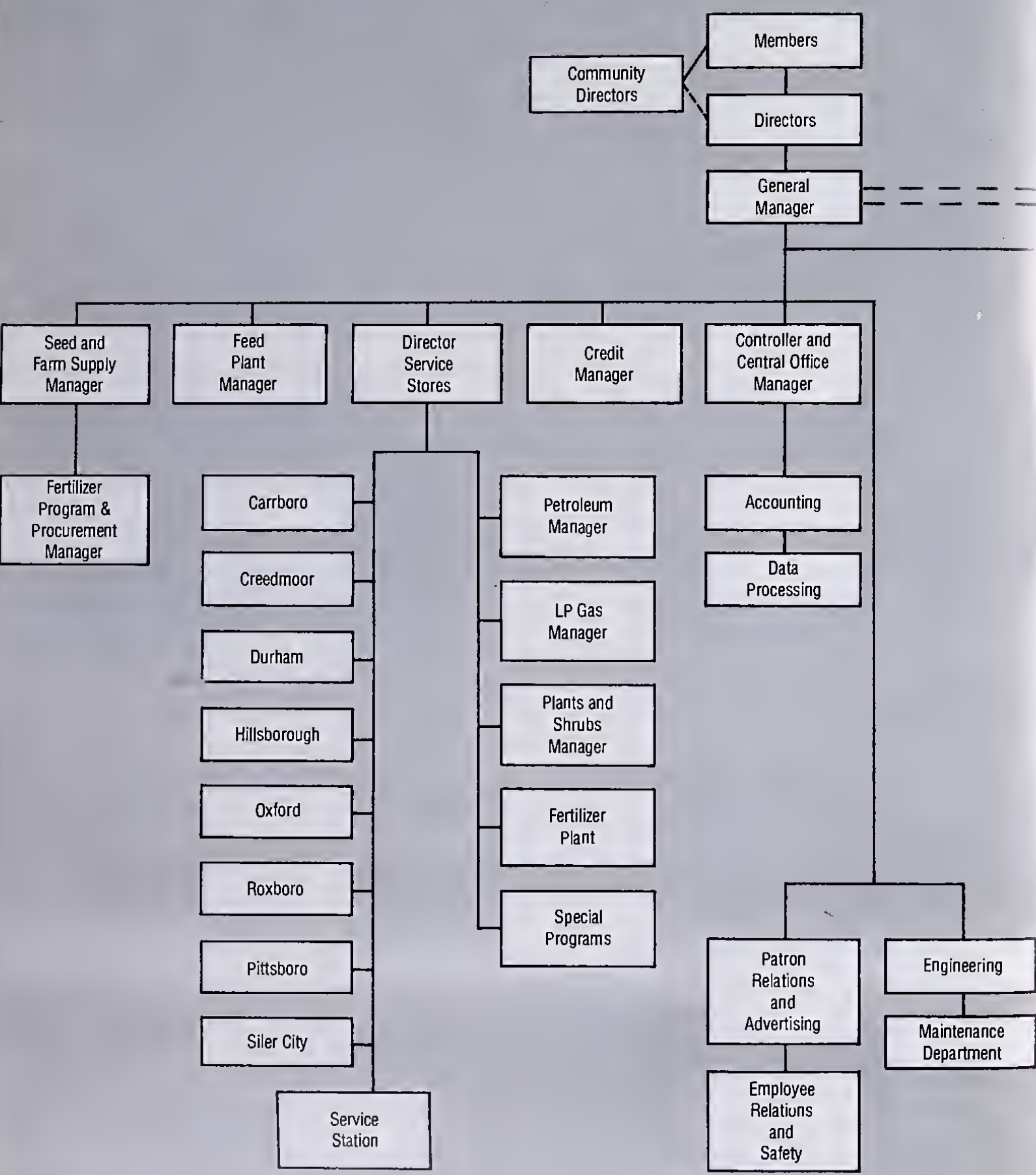


Figure 1 – Organization Chart of Central Carolina Farmers Exchange, Inc. 1975





CCF's management group meets frequently in DeLoatche's office. This summer meeting includes John Hamby, assistant general manager (left); Roland Hughey, controller; G. B. DeLoatche, general manager; Charlie Finch, credit manager; and Mark Davis, director of service stores. Other meetings may include managers for farm supplies, feed, fertilizer, livestock, and so forth.

managers and other key employees; and approving assistant department managers. He is employed under a 5-year management contract.

G. Brantley DeLoatche is CCF's general manager. With CCF more than 25 years, he was feed plant manager for 19 years and concurrently assistant general manager for 5 years before becoming general manager.

The assistant general manager heads the egg department and directs other CCF marketing operations. In preparation for the general manager's absence, he keeps up to date on developments on the supply side of the business.

Each supply and marketing department manager, including retail operations, is concerned with sales, pricing, and net earnings; forecasting and budgeting; marketing programs for products assigned to the department; extending credit to patrons; and coordinating with other departments.

DeLoatche uses, with good results, a management group or committee to help direct CCF operations. Managers for feed, farm supplies, fertilizer, eggs, livestock, the director of service stores, and the controller meet with him about 10 times yearly to review, explain, and defend their operations. With

their interdependent programs, each manager is concerned about the other's performance. Many decisions to modify, initiate, or drop programs and change personnel responsibilities are made by this team of managers rather than by the general manager alone. Proposals requiring board approval are first thoroughly examined by this management team.

Employee Relations

With more than 750 CCF and joint venture employees, the cooperative is a significant area employer. CCF offers its employees health insurance and retirement programs. As an incentive for efficient operations, employees share in the annual net savings.

Continuing efforts are made to develop a strong staff. Individual and specialized training for small groups of employees is conducted frequently. In addition to technical skills, financial performance and budgeted goals are among the training tools. Twice each year, CCF holds 1-day schools to update employees on new products and commodity supplies and to give them a better perspective of the cooperative and their role in the total business.

MARKETING PROGRAMS

Central Carolina Farmers endeavors to operate a balanced marketing and supply program, with about half of the patron volume in each area. CCF serves patrons with marketing programs for eggs, livestock, and broilers. Livestock and eggs make up one-third of the marketing volume and broilers nearly two-thirds.

Broiler Marketing

CCF placed its broiler production and marketing program together with the broiler program of Gold Kist Inc., a regional cooperative headquartered in Atlanta, Ga. Broiler sales from the CCF facility were \$19.4 million in 1975.

Under a 10-year joint venture agreement, Gold Kist finances and manages the production and marketing of broilers that CCF contracts with member-producers. Gold Kist supervises hatching egg flocks, hatcheries, broiler production, processing, and selling. Gold Kist purchases CCF poultry feeds and other inputs at defined costs. These inputs are therefore not considered capital generating for CCF. Gold Kist owns the hatchery and broiler processing equipment and leases buildings for these operations from CCF.

Income and expenses of this broiler operation are pooled with those of other Gold Kist broiler operations. Yearend margins are prorated to all plants, based on pounds of meat put into the venture by each plant. For operating capital, Gold Kist retains 60 percent of the net margins assigned to the Durham complex. Gold Kist bears primary risk in the venture

by carrying any losses forward to be covered by future earnings.

The Gold Kist-CCF complex manager reports to the vice president for Gold Kist poultry (fig. 1). This Durham complex manager directs the production, processing, and sale of broilers in the CCF operating area. He coordinates with the CCF general manager when planning for and utilizing CCF resources needed in the broiler program. The complex manager operates his program with the help of the field operations staff, processing plant manager, sales manager, and office manager.

Program planning and production control begin with the breeder program for hatching eggs. Eggs produced by CCF member-producers are hatched at the Durham and Siler City hatcheries. These hatcheries, with a capacity of 400,000 chicks a week, are fully utilized in the broiler program during the peak summer season.

Six fieldmen supervise CCF contract growers for breeder flocks and broilers. CCF service stores assist by forwarding grower orders for feed to the CCF feed mill. Other broiler production supply and equipment items are available through service stores.

All broilers are produced under contract. Grower payment is tied to a weekly marketing pool, and in determining payment, each grower's performance is compared with that of other growers in the pool. This provides continuing incentive to do a better job.

A broiler advisory committee and a breeder advisory committee help the broiler complex manager and fieldmen operate a program satisfactory to the 150 broiler growers. Five growers for the broiler committee and three hatching egg producers for the breeder committee are elected by participating growers at annual meetings with the field servicemen.



Producer-members with CCF breeder flocks provide eggs for the Durham and Siler City hatcheries.



Newly hatched chicks (above) are debeaked and vaccinated at the hatchery (center) before delivery to producers.

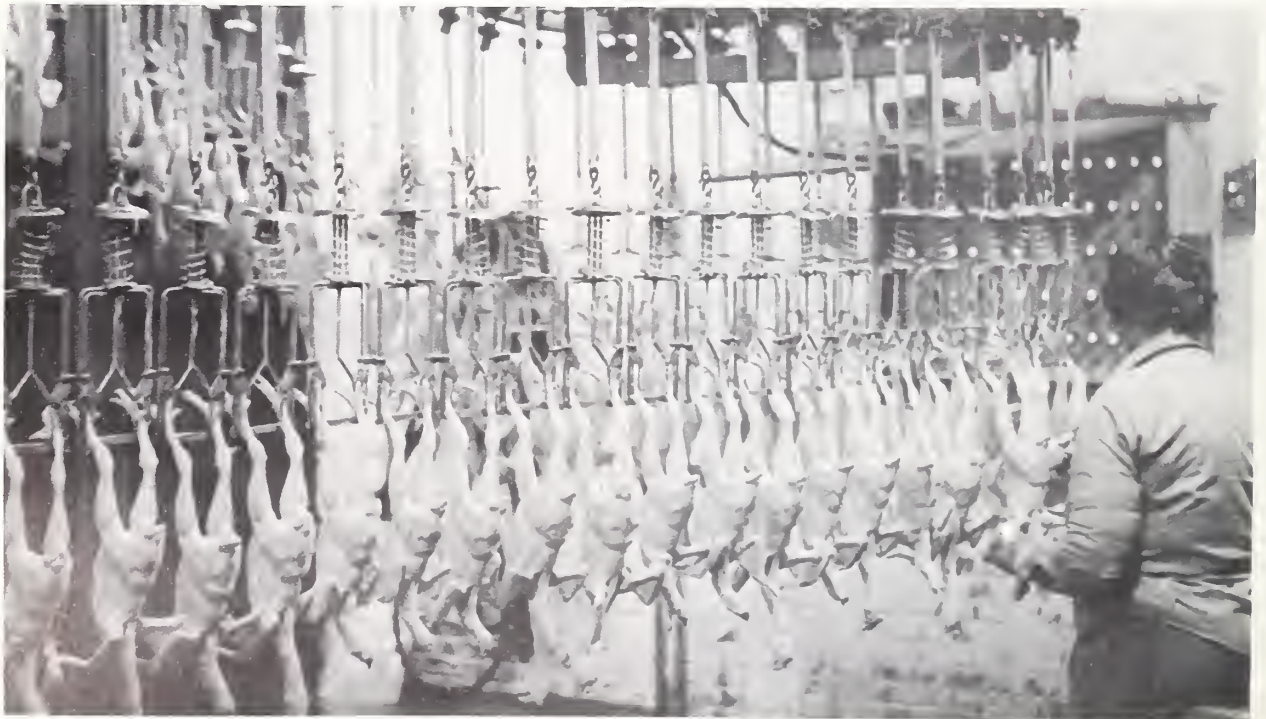




A CCF member's broiler house.



Gold Kist Inc., Atlanta, manages the broiler program and this poultry processing plant.



Broiler processing in Durham.

Egg Marketing

The CCF egg market manager directs an egg production and marketing program. This includes control of hatching egg production from contracted breeder flocks, hatching, pullet production, and on-farm egg production; assembling, grading, packing, selling, and delivering eggs to buyers; and breaking, pasteurizing, storing, and selling eggs in frozen form.

Combined sales of fresh market and frozen eggs were more than \$6.1 million in 1974-75.

Egg marketing begins with a hatching egg program. CCF-financed breeder flocks provide hatching eggs for the entire commercial egg program. CCF raises the layer chicks hatched from these eggs at its brooding-test farm for 6 weeks. These birds are then grown in cages another 14 weeks by participating producers.

Twenty-week-old pullets are then placed with producers under an all-in, all-out program. This program results in all birds on the farm being the same age at any one time.

Of CCF's 50 egg producers, three-quarters produce and market under contract. The remaining producers arrange their own financing and deliver eggs under a market egg agreement. Under the egg contract, CCF furnishes pullets, feed, and other production supplies. Producers receive a fixed amount per dozen eggs on a grade-yield basis within a weekly marketing pool. On closing the contract for a flock and paying all expenses, the producer and CCF share in any profit from that flock. The CCF share is included in the cooperative's gross revenue.

The field service program strives to reduce egg production costs. One man operates the chick brooding facilities, another coordinates movement of pullets and hens, and two full-time fieldmen and one part-time fieldman provide technical supervision of layer flocks.

Eggs at the farm are cooled to 50°F., and picked up twice a week either at the farm or at a central point by cooler trucks for delivery to the Durham or Cary egg-grading plants. Eggs are washed, graded, sized, and packed into consumer cartons or institutional packs under supervision of USDA inspectors. About 8,000 cases of 30 dozen eggs each are packed weekly.

Eggs with stained or malformed shells are broken, pasteurized, and frozen at the Durham plant and sold under the CCF label to the institutional trade.

The egg market manager sells all eggs packed at the two plants. Half the eggs go to Durham area

supermarkets. Another 15 to 20 percent go to supermarkets within 100 miles of Durham. The remaining 30 to 35 percent go to wholesalers and institutions in the Washington, Baltimore, and New York areas.

To help maintain access to the New York egg market and participate in establishing wholesale egg prices, CCF participates with 17 other cooperatives in the North America Poultry and Egg Cooperative Association, a federated marketing organization in New York. CCF sells at least 5 percent of its eggs annually through this association.



Placing 5-month-old pullets in an egg producer's layer house.



One of four aisles in a CCF patron's layer house.



A producer's automatic egg-gathering equipment in the layer house.



Grading and packaging at CCF's Cary Egg Market.



Eggs under the CCF label at a service store.



Livestock Marketing

CCF provides auction marketing services for cattle and swine producers at sales barns near Hillsborough, N.C. In 1974–75, \$3.2 million worth of livestock was sold at these facilities.

Separate auction facilities operate for cattle and hogs. The cattle and hog sales are conducted once each week. A State-graded feeder calf sale is held each fall for calves produced that year. A spring stocker roundup sale offers many of these animals for finishing in feedlots.

A graded feeder pig sale is held twice monthly in a separate sales barn designed for pigs. This is a



Livestock auction market at Hillsboro.

Preparing feeder pigs for a teleauction sale at CCF's pig and hog sales barn.

teleauction sale, part of a coordinated system giving buyers anywhere in the United States access by conference telephone to the CCF sale.

CCF finances programs for feeder pig production and market hog production. These programs help build volume for the auction, feed mill, and service stores, while pursuing CCF's objectives of diversifying the area's agriculture and increasing farmers' income.

A livestock production and marketing manager directs these services. He contacts buyers and sellers to help maintain their patronage of the market. He works with service stores in selecting producers to participate in the CCF-financed pig production and finishing programs, and supervises these producers in



Processing meat for storage in a patron's frozen food locker.



CCF cures and retails hams from hogs that members produce.

their operations. He develops long-range plans and program strategy with the assistant general manager.

Meat Processing

CCF offers its patrons custom meat processing of beef and pork, ham and bacon curing, and lockers for frozen meat and vegetables. The \$100,000 paid by patrons for these services in 1975 provided two-thirds of this department's operating income. The rest came from the sale of some 7,000 country-style hams, pork sausage, and other pork products.

CCF is proud of its carefully aged, sugar-cured, hickory-smoked, country-style hams. They have been

champions most frequently at shows sponsored by the North Carolina, South Carolina, and Virginia Freezer Locker and Country Ham Curers Associations.

The meat processing and cold storage manager is responsible for receiving and proper handling of meat, efficient operation of processing and curing services, supervision of locker rental, and relations with patrons. He also is responsible for net earnings by setting fees for processing, locker rentals, and public storage; purchasing meats for processing and curing; and pricing these meat products for sale. He develops his plans and actions with the assistant general manager.

FARM SUPPLY PROGRAMS

CCF offers patrons high-quality production supplies at lowest feasible prices. Supplies are traditionally offered with a larger purpose than simply providing what the producer needs. Offering quality supplies at lowest possible prices is one of CCF's methods of providing production efficiency on the farm to help induce diversification of the area's tobacco agriculture. It continues to be in CCF's long-term interest to help part-time and full-time producers stay on the farm by enhancing their net income through lower per unit production costs.

The farm supply program is under the general manager's direction. Department managers specialize in feed, seed, fertilizer, petroleum, LP gas, nursery stock, and all other farm supplies. The director of service stores coordinates and supervises the retailing of these supplies to patrons.

Feed

Feed manufacturing has been a primary resource

behind the successful development of egg, broiler, and livestock production-marketing programs. Feeds of high nutritional quality sold at lowest feasible prices have been the basis for production of these commodities in competition with their production in feed surplus areas. At the same time, feed has been the major source of CCF's net margins. Despite these important roles played by the feed side of the business, the several feed plant managers have not directed operations but rather cooperated as team members in developing production-marketing programs.

CCF manufactures up to 147,000 tons of feed annually at its Durham feed plant. An additional 10 percent of patrons' feed needs are met by custom grinding and mixing facilities at six service stores. Feed constitutes two-thirds of patrons' purchases.

A feed plant manager supervises purchase of feed ingredients, feed formulation (except broiler feeds), efficient mill operation, pricing, delivery of feed to farms and service stores, and technical supervision of fieldmen concerned with feed sales and patrons' feed



Durham warehouse provides thousands of farm supply items for the eight service stores.

use and problems. With the marketing program managers and the director of service stores, he helps develop CCF feed programs that enhance patrons' income and boost CCF feed sales.

Most feed grain comes from outside the service area, primarily from surplus grain-producing areas in the Midwest and eastern North Carolina. A small proportion of feed grain requirements is purchased from patrons at prices reflecting the same level as grain purchased and delivered from outside the area. CCF is the primary cash market for locally produced grain.

General Farm Supplies

The seed and farm supply department secures more than 4,000 farm production and home and garden supply items distributed through service stores to patrons. Other departments specialize in fertilizer and fuels. The \$9.7 million worth of these items made up 26 percent of patrons' purchases in 1975.

The seed and farm supply department manager is responsible for purchasing, maintaining adequate inventory, and pricing quality seeds and farm supplies; and in coordination with the director of service stores and others, he directs merchandising of these supplies and supervises their distribution to the eight CCF stores.

CCF endeavors to carry most of the supplies farmers need. New items are continually added to the line. Suggestions come primarily from CCF fieldmen and from patrons. Proposed items are first evaluated by a new item committee. A new item may be tested in a few stores before offering it to all stores.

When selecting supply items, CCF emphasizes quality over price. Availability of repair parts is an important criterion for serviceable items. Many of CCF's supply items are selected to support production-marketing programs.

CCF does not design or influence the design of farm supplies it sells. However, about 30 items, including garden seeds, are sold under the CCF label.



This new mill at Bonlee doubles feed manufacturing capacity.



Service stores are well stocked with farm production, home, and garden supplies.

Fertilizer and Fuel

The fertilizer manager buys complete fertilizers and fertilizer materials, and schedules shipment from manufacturers. He works with the director of service stores and service-store managers to determine the analysis of fertilizer to handle; to arrange its volume, delivery date, credit arrangements, and other terms of sale; and to decide on spreading services or other services to improve sales.

CCF also offers patrons petroleum products, such as gasoline, fuel oil, and liquified petroleum gas (LP gas). Fuel has been the fastest growing supply item, reflecting CCF's recent entry into petroleum in 1963 and LP gas in 1969.

Petroleum and LP gas are each handled by a manager. These managers report to the director of service stores rather than to the general manager as other wholesale purchasing managers do. This reflects the minimal attention required for purchase of wholesale supplies, compared with supervising sales, distribution, and service to patrons.

Service Stores

A patron's day-to-day contact with CCF is with his local service store. Eight service stores are in traditional trade centers of the five-county area (fig. 2, page 30).

These stores carry all supply items appropriate to their area that are available from the wholesale departments. Prices are usually the same in all stores. Care is exercised that this practice does not result in prices above those of other farm supply stores within the trade area or in neighboring territory.

Occasionally, prices on a few items are lowered in one or more stores long enough to meet a local competitor who is using the item to attract business.

Delivery service to the farm is widely used. Service stores may arrange for delivery of some bulk items directly from the supply source, such as bulk feed from the Durham mill. Arrangements for a few supply items, such as chicks for broiler producers and pullets for egg producers, are handled by fieldmen associated with those production-marketing programs. Stores pride themselves on service provided farmers. CCF feels a responsibility for members' needs and wants to be the hub of service and supplies for them.

Trained fieldmen help patrons plan milking parlors



Fuel for farm equipment, drying grain, and heating homes.



Installing an LP gas tank for bulk tobacco curing barns at a patron's farm.



CCF offers custom spreading services for the fertilizers that it sells.



Plants complete the full line of seeds, fertilizer, pesticides, and equipment available from CCF for the lawn and garden.



Automatic data processing records patron's transactions, changes in inventories, and payroll operations for employees.

and housing and equipment needed to feed poultry and swine.

Servicemen equipped with truck and parts provide installation and 24-hour repair service on items CCF sells, such as water pumps, appliances, and equipment for milking, feeding, and heating broiler houses, tobacco barns, and homes. Fertilizer spreading and trucking services to and from the farm are widely used. Diversification and high sales volume permit aggressive service work without close concern that it contribute its share to net margins.

A manager and assistant manager operate each service store. Other personnel may specialize in farm supplies, feed and custom milling, fertilizer, petroleum, or shrubbery. The number and responsibilities of these personnel fit the unique operations of each store. The office staff assists with ordering and record preparation. Recordkeeping, however, is centralized in the Durham office.

The director of service stores coordinates operations of these eight stores and develops strategy for their growth. He coordinates with the production-marketing manager for supplies and services to be provided through the stores in support of their programs. He works with wholesale managers for feed, fertilizer, farm supplies, fuels, and garden centers on merchandising their lines through the stores, and in selecting new or better quality items. He directs service-store merchandising by helping service-store managers achieve uniform operating and advertising policies for delivery of CCF supply, marketing, and credit services to patrons. He also helps service-store managers determine the size of their staff, duties, training, and salaries, with objectives of improving sales and relations with patrons.

Member Credit

The average \$3.7 million in credit extended to members falls into three groups: Production contract, installment, and accommodation credit.

Credit for production contracts is used in the egg and livestock programs covered previously. CCF management skillfully uses credit to adjust the size of these programs or initiate new production-marketing programs.

Installment credit helps patrons buy equipment and appliances. It is tailored to the patron's repayment

ability and is frequently supported by a signed note. CCF usually discounts these notes with production credit associations. Rates of interest reflect the cost of borrowing money.

Accommodation credit is extended on a monthly basis, with full payment due by the end of the following month. For amounts not paid in full, a monthly carrying charge of 1.5 percent is assessed on the first \$1,000 and 1 percent on amounts of more than \$1,000. Producers unable to pay may sign notes for overdue amounts. This type of credit is used mostly by dairymen, cash egg producers, or other producers with monthly income.

Extension of credit by service stores and collection of money are conducted under the watchful eye of a credit manager. He approves accommodation credit for larger patrons. He interprets and enforces credit policy. A credit committee, consisting of the general manager, assistant general manager, and director of service stores, helps him in establishing credit policies. Upon management's request, the CCF board reviews and approves CCF credit policies.

Member Relations and Advertising

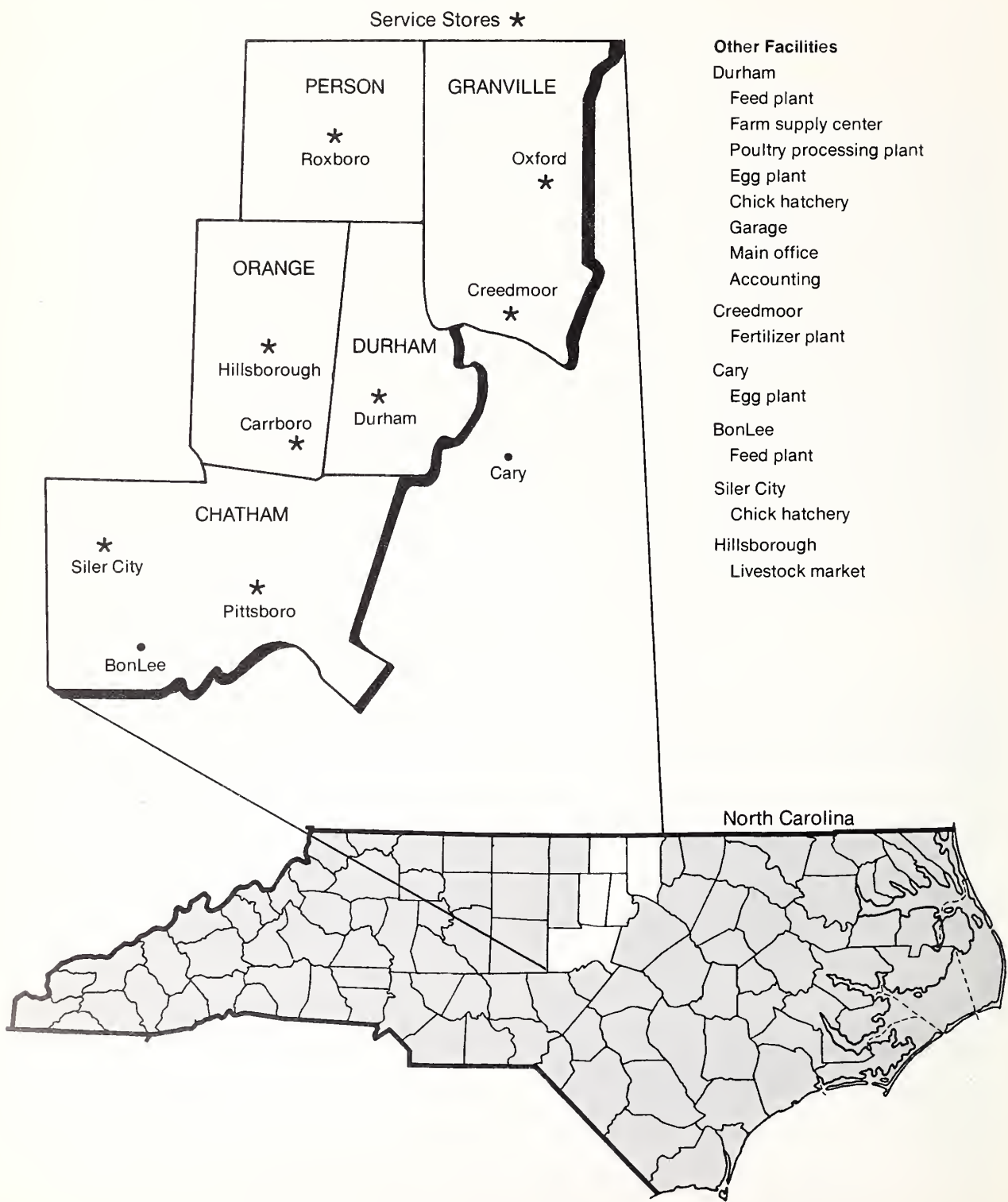
CCF publishes *The Patron*, an 8-page monthly newsletter mailed to all member patrons. It is carefully planned, with articles and pictures on CCF operations and facilities, the use of CCF products and services, and many local and national topics.

Promotion is planned jointly by the farm supply department manager, the director of service stores, a service-store manager, the credit manager, and editor. The merchandising committee meets monthly to plan advertising and displays. The farm supply department's assistant manager works closely with service stores on correct display of all merchandise. Featured products are advertised in *The Patron*, in local newspapers, and on radio.

A successful feature of the merchandising program is on-farm sales of supply items, such as fertilizer, ahead of the busy season. This builds volume and helps in planning adequate inventories.

Field sales and service frequently have been coordinated with needs of the production-marketing programs for poultry and livestock. Layout and installation services at the farm, for example, have helped sell bulk milk and feed handling equipment needed to improve efficiency in these programs.

30 **Figure 2—Location of CCF service stores and principal facilities**



RURAL DEVELOPMENT IMPACT

THE CHANGED AGRICULTURE

Agriculture in CCF's five-county area changed radically after the 1930's (fig. 3). Broilers became an entirely new and major source of income to farmers. Poultry products, broilers, and eggs are now as important as tobacco, the traditional money crop; both provided 38 percent of farm sales in 1969. This growth occurred even with 42 percent more tobacco production and higher prices in the 40-year period. Milk, livestock, and grain production also increased.

Farmers' increased dependence on poultry and livestock reflects fulfillment of the diversification objectives spelled out by CCF's organizers. Diversification was most aggressively and successfully pursued with poultry. Therefore, it is not surprising that CCF is credited with introducing commercial broiler production to North Carolina.

Other broiler integrators soon followed the CCF lead, both within the CCF area and in other Piedmont counties. While poultry was added in other counties, the pace was slower than in the CCF area. By 1969, poultry and poultry products made up 38 percent of farm products sold in the CCF counties but only 33 percent in other Piedmont counties.

Since Piedmont counties are not big grain producers, most of the feed grain for the expanded poultry, dairy, and livestock production must come from outside the area. Supplying mixed feed at reasonable prices was one of CCF's primary inducements to poultry and livestock producers. In response, CCF area producers increased their share from 11 percent in 1929 to 23 percent in 1959 of the commercial feeds purchased by Piedmont farmers. This reflects CCF's influence on diversification, compared with that of other central North Carolina counties.

Growth caused size and value of farms to increase more in the CCF area since 1930 than in other Piedmont counties (table 3). Farm sizes in the CCF area caught up with those of their neighbors by increasing 76 percent more than in 1930, compared with 60 percent in other Piedmont counties. Value of land and buildings also caught up by increasing 1,355 percent in the CCF counties, compared with 1,000 percent in other Piedmont counties. The proportionate reduction in number of farms and in number of owners associated with these changes was not quite as great in the CCF area as in the other Piedmont counties.

CHANGE INTENDED

31

Shifting production from tobacco to a greater reliance on poultry, livestock, and dairy products resulted from a producer response to improved market and production cost situations. CCF intentionally modified (1) the cost and (2) the market conditions in producers' favor.

Costs

To improve production cost incentives, CCF offered farm supply items at reasonable prices, raised the quality of these farm inputs, and encouraged the application of modern technology.

Feed was always CCF's largest supply item. CCF saved producers amounts up to several dollars per ton more than alternative suppliers did during the initial decades. The producer realized this savings primarily at the time of purchase, and, in most years, with some additional savings as patronage refunds. One study suggests that during the 1930's producers paid at least 10 percent less for CCF feed than for other commercially mixed feeds.

CCF also lowered fertilizer costs, compared with other suppliers. Producers could purchase the right mix for their farm and determine correct application rates, because mixed fertilizers were open formula and met Extension Service recommendations.

Locally produced grain, frequently from good quality CCF seed, also helped producers lower their feed costs. CCF custom feed grinding and mixing services prepared this grain for feeding at the lowest possible cost. Grain production, together with fertilization, was necessary for the long-term soil building process so desperately needed for depleted farmland. Residue from poultry operations helped improve these soils.

In addition to CCF's lower cost supplies, CCF staff and agricultural extension agents were helpful in showing producers how to properly use these supplies, follow better husbandry practices, and best initiate new lines of production. Continued encouragement to apply known technology was important in keeping CCF's relatively small and typical producer in business.

About 1960, for example, CCF encouraged one egg producer to build an egg laying house in the long, narrow style then recently perfected in California. The producer's unit investment and labor costs were

so dramatically reduced that other egg producers quickly adopted this new style of house.

One county agent praised CCF as a connecting link between research and the farmer. This link is also seen in work to reduce CCF's operating costs and to improve supplies offered patrons. Extension Service recommendations provide the basis for choice of feed and fertilizer formulas and seed varieties.

Markets

In addition to reducing the farmer's production costs, CCF concurrently offered him new markets for some of his products. Incentives on both farm inputs and outputs encouraged him to change.

Initially, CCF perceived that chickens and eggs, then grown mostly for family needs, were well suited to large-scale production and marketing. The carlot marketing of live poultry and eggs, a new idea

perfected in the late 1920's, gave CCF access to mass markets and a supply of poultry for processing. Most important, Connor Kennett, well experienced in carlot marketing, joined CCF to start up its marketing program. In May 1931, he started processing chickens for Durham stores and restaurants. This began a continuing demonstration to farmers that their cooperative could be relied on to find outlets for their chickens, broilers, and other poultry products.

While CCF's supply and marketing services offered producers new opportunity, CCF did not sit back passively waiting for producers to respond with new or expanded production. Kennett, for example, needed a year-round supply of chickens and fryers and a larger supply of them as his marketing capability grew. Kennett visited farmers at their farms in the 1930's and 1940's, persuading them to brood chickens in batches of several hundred. Soon producers needed recommendations on feeding, housing, and scheduling to perform well. Thus, production programs for broilers, eggs, and livestock grew to help supply the product needed to sustain a marketing program. These programs became another way CCF helped the area's agriculture to change.

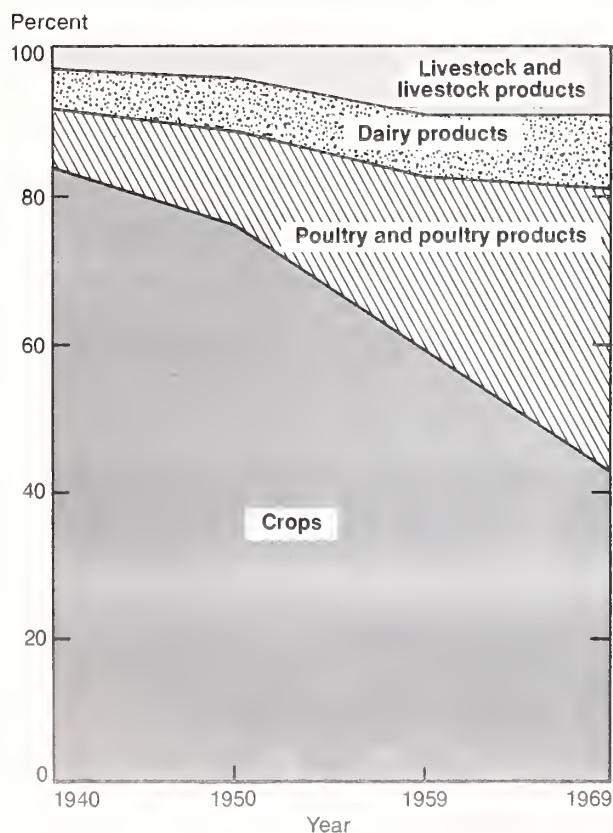
Although most CCF producers are relatively small, compared with some poultry operations in many parts of the country, CCF keeps their quality high. Broiler producers average about 25,000 birds per batch and egg producers have about 12,000 layers each. Yet producers continue as independent family farms because CCF skillfully guides quality control so products meet buyers' needs.

The recommended production and management practices continually change. While many producers would like to shun the continual pressure for change and improvement, they recognize a necessity to be efficient and stay in the market. CCF producers have a special stake in these programs. They own and control this firm that cares about them.

A DIVERSIFIED COOPERATIVE FOR SPECIALIZED PRODUCERS

In the 1920's and 1930's, agricultural leaders at the State and national level called for diversified farming to help southern agriculture reduce dependence on tobacco, cotton, and peanuts. CCF experience, however, demonstrated that the individual farmer earned more by specializing in one or two commodities, than by trying to include a wide array

Figure 3—Change in the mix of farm products sold, CCF area



1) Compiled from the Census of Agriculture, Bureau of the Census, for the years shown.

Table 3—Selected farm characteristics for CCF counties and nearby Piedmont counties, 1969, and change since 1930¹

Farm characteristic	Unit	1969		Change since 1930	
		CCF area	Other Piedmont	CCF area	Other Piedmont
				<i>Percent</i>	
Farm size ²	Acres	65	64	76	60
Farms	Number	5,915	30,808	-56	-58
Full and part owners	Number	4,844	26,942	-25	-28
Value of land and buildings per farm	Dollars	35,632	35,511	1,355	1,000

¹ Compiled from the Census of Agriculture, Bureau of the Census, for the years shown.

² Excludes woodland and woodland pastures.



Grain storage for members at Roxboro Service Store.



Durham tobacco auction is a new venture in marketing.



New Creedmoor blending plant offers improved service and security of fertilizer supplies.

in his farming operation. Thus, we now see in the CCF area, as in other areas, a diversified agriculture based on neighboring producers specializing in quite different commodities.

CCF encourages this specialization. For example, CCF found that tobacco producers give priority to their tobacco to the detriment of their broilers. Tobacco producers are encouraged to produce broilers only if they wish to get out of tobacco production. Likewise, CCF discourages egg producers from growing broilers.

Differing soil conditions and other factors throughout the CCF area cause regional diversification. Northern sections with substantial tobacco production have few broiler producers. Southern hilly-wooded sections with less tillable land have many broiler producers. Beef, swine, and dairy producers are most prominent in areas best suited for pasture. Egg producers are dispersed throughout the CCF operating area.

Through its efforts to fulfill these many supply and marketing needs and help farmers to change and specialize, CCF became a diversified supply and marketing cooperative.

Diversity came about from growth within CCF, not from merger with other cooperatives or acquisition of other businesses. In some respects, CCF grew up in virgin territory. Other supply and marketing cooperatives either did not exist or did not thrive within the five-county area at any time during CCF's existence.

Over the years, both marketing and supply lines became complex. In farm supplies, for example, mixed feed formulations have grown to about 50; there is a wider choice of fertilizers; and the supply line grew to more than 4,000 items, including petroleum products and LP gas. The marketing of broilers and eggs is backed up by well-run production programs. Livestock processing and marketing services have been available during most of CCF's existence.

Tilson, DeLoatche, and the board applied a cooperative approach in building diversification. They pooled funds, personnel, and facilities as needed to initiate a new supply or marketing program, or to expand one of these programs. While each program should pay its way, each could not contribute to net savings in the same proportion. Thus, we see that net savings came mostly from the supply side rather than the marketing side of the

business. Patron-members helped management apply this pooled resource approach to growth by not insisting net earnings be distributed precisely by department or program.

CCF grew through planned programs, not by chance. Intention to diversify the area's agriculture was the key objective explaining CCF involvement in farm supplies and marketing, and in marketing several commodities. This objective and the intention to provide the most needed services at the lowest possible cost, a desire for a debt-free business, a cautious expansion policy, territorial limits, and concepts of producer independence set the framework for Tilson's and the CCF board's major decisions for several decades.

Initiating a supply or marketing service was usually in fulfillment of this long-term objective. But the pace was not stimulated by definite dollar goals set within a time frame for either the patron or CCF. Expansion



More services, like this recently introduced liquid supplement, help producers and CCF remain viable.

of a service was often motivated by a desire to use facilities more efficiently, to maintain market outlets, or to meet producer demand for services.

The serious need for a larger wholesale farm supply warehouse and a feed mill in the late 1950's, together with frequent underestimation of long-term capital needs, pointed up the need for long-range planning. Thus, in several recent years, CCF management annually prepared a 5-year planning budget that projected capital needs for operations and facilities for the production-marketing and supply programs. Gold Kist's broiler plans were included. Anticipation of changes in agriculture in each of the operating counties was given particular attention in the planning process. Supporting the planning process were CCF "AIMS," among them restatements of original objectives to assist interested farmers in production programs appropriate to the area, and to provide services to patrons to yield the greatest net return for them.

CCF now finds a degree of security in its diversified status. Low commodity prices generally occur in only one or two commodities at a time. If patrons phase out production of a commodity for lack of adequate returns over the long term, patronage based on other commodities will most likely keep CCF economically

sound and give opportunity for growth.

CCF management finds real motivation in the diversification concept for the 1970's. New programs and selected enlargement of supply and marketing programs will improve the balance and better spread risk in the business. Continued change will reduce opportunity for competition to erode patronage.

CCF expects that its increased emphasis on egg marketing and feeder pig production will reduce its vulnerability to fluctuations in the broiler market and lack of growth in milk production. In 1975, CCF completed a new bulk feed plant in the heavy broiler production area to help ensure economical feed supplies to expand poultry and livestock programs. With the spreading of bulk fertilizer becoming more popular, a fertilizer blending plant was built to better serve and to hold farmers' patronage. This same year, for the first time, CCF operated a tobacco marketing service.

Expanded production-marketing programs with emphasis on the smaller programs means further change in the area's agriculture and expanding income opportunities for farmers. Paramount interest in farmers' welfare, which motivated CCF's programs, is now buttressed by a very real motivation to keep their cooperative a sound and progressive business.



Efficient feed handling helps lower producer's operating costs.

APPENDIXES

ARTICLES OF INCORPORATION

Appendix A

ARTICLES OF INCORPORATION CENTRAL CAROLINA FARMERS EXCHANGE, INC. (A Growers Cooperative)

This is to certify that we, the undersigned, constituting and being all of the members of the Board of Directors of Farmers Mutual, Inc., heretofore organized and incorporated under the laws of the State of North Carolina, do, for the purpose of bringing said Corporation under the Cooperative Marketing Act of North Carolina (Sub-Chapter V of Chapter 54, General Statutes of North Carolina), hereby adopt these articles of incorporation in pursuance of said Act.

ARTICLE I. NAME

The name of this Association shall be Central Carolina Farmers Exchange, Inc.

ARTICLE II. PURPOSES

Section 1. To engage in any activity in connection with the producing, marketing, or selling of agricultural products of any kind or character of its members and other farmers, or the harvesting, preserving, drying, processing, canning, packing, storing, handling, shipping or utilization thereof, or in connection with the manufacturing or marketing of the by-products thereof; or in connection with the manufacturing, selling, or supplying to its members of feeds, seeds, fertilizers, machinery, equipment or supplies; or in the financing of the above enumerated activities or in any one or more of the activities specified herein. Any and all of such activities and purposes may be carried out by this Association in any capacity and upon any cooperative basis that may be agreed upon or which may be specified in the Bylaws or prescribed by its Board of Directors.

Section 2. To act as marketing agent for all agricultural products, including poultry, eggs, livestock, dairy products, fruits, vegetables, and field crops, and any of the products manufactured therefrom; to carry on any and all activities necessary, convenient or proper for the accomplishment of the same; to unify and systematize the business of producing agricultural products; to act as a purchasing agent for its members and others, and to deal in feeds, seeds, fertilizers, farm machinery, and other farm supplies and equipment.

Section 3. To engage in any activity in connection with the production, financing, assembling, marketing, selling, preserving, standardization and grading, storing, processing or distributing of the above or other agricultural products.

Section 4. To buy, lease, acquire, hold and control as owner or otherwise, and to pledge, mortgage and dispose of any interest in any real or personal property necessary, convenient or proper in the conduct of its business; to erect, construct, or acquire any interest in and operate any plants, buildings, facilities, or machinery necessary, proper or incidental to the carrying on of its business; to sell or dispose of any or all of its property and assets.

Section 5. To borrow money without limitation as to amount, and to give security therefor; to finance and aid in the financing of the production and marketing of the agricultural products of its members and others, and to make advance payments and advances to members and others; to make and execute notes, bonds, mortgages, and all instruments and obligations necessary or proper to the carrying on of any of its business and to endorse such instruments and obligations for accommodation or otherwise.

Section 6. To form, organize or set up, own and control such subsidiary corporations and branches as may be deemed by this Association to be necessary and expedient to carry out the purposes of this Association, and to buy, hold, own, vote, control and exercise all privileges of ownership in the stock and bonds of other corporations or associations engaged in any related activity and to pledge, mortgage, and dispose of the same; and by membership, stock ownership, joint or common ownership, or control of any instrumentality or personnel, by contract or otherwise, to control and manage or participate in the control and management of such corporations or associations and their activities and affairs; to buy, acquire, hold, control as owner, pledge, sell and otherwise deal in and dispose of its own capital stock, but such stock held by the Association shall not be entitled to vote or to receive dividends.

Section 7. To do each and everything necessary, suitable, or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the objects herein enumerated; or conducive to or expedient for the interest or benefit of the Association; and to contract accordingly; and in addition, to exercise and possess all powers, rights, and privileges necessary or incidental to the purposes for which the Association is organized or to the activities in which it is engaged.

ARTICLE III. LOCATION

The place where its principal business will be transacted is Durham in the County of Durham, State of North Carolina.

ARTICLE IV. TERM

The period of duration of this Association shall be perpetual.

ARTICLE V. DIRECTORS

The names and addresses of those who are to serve as directors for the first term or until the election of their successors are:

NAME	ADDRESS
W. M. Bacon	Rougemont, N.C.
H. S. Hogan	Rt. 2, Chapel Hill, N.C.
William J. Hall	Rt. 2, Woodsdale, N.C.
W. S. Hunt	Rt. 1, Hillsboro, N.C.
O. K. Goodwin	Rt. 3, Durham, N.C.
T. W. Allen	Rt. 1, Creedmoor, N.C.
D. E. Townsend	Rt. 2, Durham, N.C.
C. W. Stanford	Rt. 1, Chapel Hill, N.C.
C. W. Lutterloh	Rt. 2, Pittsboro, N.C.

Frank Oakley Rt. 3, Roxboro, N.C.
 R. T. Eakes Rt. 4, Oxford, N.C.
 T. Henry Harris Rt. 3, Siler City, N.C.

This Association shall have at least five directors, but the actual number of directors of this Association shall be that stated in its Bylaws.

ARTICLE VI. CAPITAL STOCK

Section 1. The authorized capital stock of this Association is \$5,000,000, divided into 200,000 shares of preferred stock of the par value of \$10.00 per share, and the remaining \$3,000,000 of said authorized capital stock shall consist of common stock. The common stock shall be divided into 1,000,000 shares of the par value of \$1.00 per share, which said shares are now issued and outstanding at the time of the adoption of these Articles of Incorporation, and the remainder of said common stock, to be hereafter issued, shall be of the par value of \$10.00 per share. All common stock of the Association issued after the adoption of the Articles of Incorporation shall, except as hereinafter set out, be of the par value of \$10.00 per share. As common stock now outstanding of the par value of \$1.00 per share may hereafter be called for reissue by the Association, any stock thereafter issued in lieu thereof shall be of the par value of \$10.00 per share; and all \$1.00 par value stock hereafter surrendered or redeemed by the holders or purchased or retired by the Association shall increase, pro tanto, the amount of authorized common stock of the par value of \$10.00 which the Association may thereafter issue.

Section 2. There shall be no fractional shares of Common Stock issued by the Association after the adoption of these Articles of Incorporation; except that such fractional shares may be issued by action of the Board of Directors. If a non-stockholder is entitled to less than one full share, such share will be held by the Association until such time when one full share has been accumulated. Fractional shares will not bear dividends and will not have the rights and privileges of full shares.

Section 3. Each holder of common stock shall be entitled to one vote only in all matters pertaining to the affairs and business of the Association. Common stock shall be entitled to a dividend not to exceed six per cent (6%) per annum, payable only if, as, and when declared, out of any net savings after the payment of dividends on preferred stock.

Section 4. The ownership of common stock of this Association shall be restricted to persons, firms or corporations who are producers of agricultural products, or users of agricultural supplies handled by the Association. No purported assignment or transfer of common stock in the Association shall pass to any person not entitled under the foregoing to hold the same, any rights or privileges on account of such stock, or in the management or control of the Association. The findings of the Board of Directors as to eligibility under the above provisions shall be final and conclusive. The Board of Directors shall have discretion to permit or deny the acquiring of common stock by persons entitled under the foregoing, and the discretion to prohibit the sale or transfer of said stock to any person or corporation. All common stock assigned or transferred shall be transferable only upon the books of

the Association, and no stock of any shareholder indebted to the Association shall be transferred on the books except to the Association itself.

Section 5. The holding of common stock in this Association shall be subject to termination, suspension or cancellation as provided in the Bylaws. No shareholder shall own common stock of a greater aggregate par value than twenty percent (20%) of the paid-in capital stock. The Association shall have the right in the manner provided by the Bylaws to purchase and retire common stock at par, at any time, and to purchase, retire and transfer the stock of any member whose stock is for sale.

Section 6. The preferred stock of this Association may be held by any person, firm or corporation, and shall be transferable upon the books of the Association in the same manner as provided for the transfer of common stock. Holders of preferred stock shall not be entitled to a vote in any meetings of the Association. Such stock shall be entitled to cumulative annual dividends, which said dividends shall be fixed by the Board of Directors from time to time upon the issuance of said stock, and said rate of dividends shall be printed on each certificate of stock. But in no event shall the dividend exceed eight percent (8%) per annum, first payable out of any net savings of the Association. Upon any dissolution or distribution, the preferred stock shall be first entitled to redemption up to its par value plus any annual or accumulated dividend then due and unpaid out of any net assets. Preferred stock shall be issued and sold, redeemed and retired at such times and upon such conditions as shall be determined by the Board of Directors and set forth in the certificates of preferred stock.

ARTICLE VII. POWERS

This Association shall have and exercise all powers, privileges, and rights conferred on ordinary corporations and cooperative associations by the laws of the State of North Carolina and all powers and rights incidental or conducive to carrying out the purposes for which this Association is formed, except such as are inconsistent with the express provisions of the Act under which this Association is incorporated, and to do any such thing anywhere.

In testimony whereof, we the undersigned, being all of the Directors of Farmers Mutual, Inc., have hereunto set our hands and affixed our seals, this the 27th day of November, 1951.

W. M. Bacon, H. S. Hogan, W. J. Hall, W. S. Hunt, O. K. Goodwin, T. W. Allen, D. E. Townsend, C. W. Lutterloh, Frank Oakley, R. T. Eakes, T. Henry Harris.

Adopted by the Stockholders November 27, 1951

Amended by the Stockholders October 22, 1970

BYLAWS

Appendix B

BYLAWS

CENTRAL CAROLINA FARMERS EXCHANGE, INC. (A Growers Cooperative)

ARTICLE I. NAME

Section 1. This corporation shall be known as Central Carolina Farmers Exchange, Inc. Its principal office shall be located in the town of Durham, State of North Carolina, but it may have branch offices or places of business in any other place.

ARTICLE II. OBJECTS

The objects of this Association, as stated in the Articles of Incorporation, shall be:

Section 1. To engage in any activity in connection with the producing, marketing, or selling of agricultural products of any kind or character of its members and other farmers, or the harvesting, preserving, drying, processing, canning, packing, storing, handling, shipping or utilization thereof, or in connection with the manufacturing, selling, or supplying to its members of feeds, seeds, fertilizers, machinery, equipment or supplies; or in the financing of the above enumerated activities or in any one or more of the activities specified herein. Any and all of such activities and purposes may be carried out by this Association in any capacity and upon any cooperative basis that may be agreed upon or which may be specified in the Bylaws or prescribed by its Board of Directors.

Section 2. To act as marketing agent for all agricultural products, including poultry, eggs, livestock, dairy products, fruits, vegetables, and field crops, and any of the products manufactured therefrom; to carry on any and all activities necessary, convenient or proper for the accomplishment of the same; to unify and systematize the business of producing agricultural products; to act as purchasing agent for its members and others, and to deal in feeds, seeds, fertilizers, farm machinery, and other farm supplies and equipment.

Section 3. To engage in any activity in connection with the production, financing, assembling, marketing, selling, preserving, standardization and grading, storing, processing, or distributing of the above or other agricultural products.

Section 4. To buy, lease, acquire, hold and control as owner or otherwise, and to pledge, mortgage and dispose of any interest in any real or personal property necessary, convenient or proper in the conduct of its business; to erect, construct, or acquire any interest in and operate any plants, buildings, facilities, or machinery necessary, proper or incidental to the carrying of its business; to sell or dispose of any or all of its property and assets.

Section 5. To borrow money without limitation as to amount, and to give security therefor; to finance and aid in the financing of the production and marketing of the agricultural products of its members and others, and to make advance payments and

advances to members and others; to make and execute notes, bonds, mortgages, and all instruments and obligations necessary or proper to the carrying on of any of its business and to endorse such instruments and obligations for accommodation or otherwise.

Section 6. To form, organize or set up, own and control such subsidiary corporations and branches as may be deemed by this Association to be necessary and expedient to carry out the purposes of this Association, and to buy, hold, own, vote, control and exercise all privileges of ownership in the stock and bonds of other corporations or associations engaged in any related activity and to pledge, mortgage, and dispose of the same; and by membership, stock ownership, joint or common ownership, or control of any instrumentality or personnel, by contract or otherwise, to control and manage or participate in the control and management of such corporations or associations and their activities and affairs; to buy, acquire, hold, control as owner, pledge, sell and otherwise deal in and dispose of its own capital stock, but such stock held by the Association shall not be entitled to vote or to receive dividends.

Section 7. To do each and everything necessary, suitable, or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the objects herein enumerated; or conducive to or expedient for the interest or benefit of the Association; and to contract accordingly; and in addition, to exercise and possess all powers, rights, and privileges necessary or incidental to the purposes for which the Association is organized or to the activities in which it is engaged.

ARTICLE III. MEMBERSHIP

Section 1. Any person, firm, partnership, corporation, or association, including both landlords and tenants in sharing tenancies, who is a bona fide producer of agricultural products in or adjoining the territory in which this association operates, and any cooperative or mutual association or producers incorporated under the laws of North Carolina or any other State, that intends to patronize the Association, may become a member by acquiring at least one share of common stock and agreeing to comply with these Bylaws.

Upon ceasing to be a producer of agricultural products or although such a producer, if a member is not patronizing the Association, the member shall surrender his membership stock for preferred stock or for cash in the amount of the par value of such membership stock, all as prescribed by the Board of Directors; and when the Board of Directors finds that one of the foregoing conditions exists, on the mailing of a notice to that effect to any such holder of membership stock to his last known address, his membership shall completely cease and the records of the Association shall reflect this fact; and in accordance with such notice he shall only have a claim against the Association for the par value of his membership stock or for preferred stock of the same par value, all as determined by the Board of Directors. The Board of Directors shall have absolute discretion to accept, reject, or discontinue the membership of any person or association, although eligible for membership.

Section 2. A roll of the members and their addresses shall be kept by the Secretary. Each member shall notify the Secretary of any change of address or occupation within sixty (60) days of any such change.

The Board of Directors may suspend the voting rights of any member who has ceased to be eligible for membership or who has ceased to patronize the Association or whose address is unknown upon such terms and conditions as the Board may prescribe.

Section 3. Each person who hereafter applies for and is accepted to membership in this cooperative and each member of this cooperative on the effective date of this Bylaw who continues as a member after such date shall, by such act alone, consent to the amount of any distributions with respect to his patronage occurring after June 30, 1963, which are made in written notices of allocation (as defined in 26 U.S.C. 1388) and which are received by him from the cooperative, will be taken into account by him at their stated dollar amounts in the manner provided in 26 U.S.C. 1385 (a) in the taxable year in which such written notices of allocation are received by him.

ARTICLE IV. FISCAL YEAR—MEETINGS

Section 1. The fiscal year of this Association shall commence July 1 and end on the 30th day of the following June.

Section 2. The annual meeting of this Association shall be held in the month of September or October of each year at a time and place to be determined by the Board of Directors.

Section 3. Special stockholders meetings may be called anytime by a majority vote of the Directors. They shall also call such meetings when ten percent (10%) of the shareholders shall request it in writing.

Section 4. Notice of annual meetings shall be mailed to each stockholder at his last known address ten days prior to the date of the meeting. Notice of special meetings shall be mailed to each stockholder at his last known address ten days prior to the date of said meeting, and shall state the business to be considered at said meeting.

Section 5. In all meetings each shareholder shall have only one vote. Voting by proxy shall be allowed, but a shareholder shall be allowed to vote only one such proxy, which shall be in writing. Voting by mail is permitted under regulations that may be prescribed from time to time by the Board of Directors.

ARTICLE V. QUORUM

Section 1. One hundred members or common stockholders in good standing shall constitute a quorum for the transaction of any business that may come before a meeting of the Association, including the amendment of the Articles of Incorporation and Bylaws of the Association, and in the case of district or county meetings, twenty members or stockholders shall constitute a quorum for any such meeting.

ARTICLE VI. DIRECTORS AND OFFICERS

Section 1. The Board of Directors of the Association shall consist of twelve (12) members to be elected from the membership of the Association, and one member to be appointed by the Director of Agricultural Extension Service of North Carolina State University as provided by law. There shall also be an Executive Committee of the Board, consisting of six (6) directors. The twelve elected directors shall each serve for a term of two years and until their successors are elected and qualified. In order to provide continuity of the Board of Directors, six directors shall be elected at each annual meeting. The appointed director shall serve for a term of two years and until his successor is appointed (as hereinabove provided) and qualified.

Section 2. That beginning with the regular annual election of directors for the year 1952, directors shall be nominated by counties or districts at primary elections to be held in each county or district in which the Association is engaged in business. The members in each county or district shall be entitled to nominate and select by high vote at such primary elections such a number of directors that their representation on the Board of Directors shall be in the same proportion as the number of members residing in a given county or district bears to the total membership of the Association; provided, however, that the members in each county or district shall be entitled to nominate and select at primary elections not less than one director; and whenever the application of such proportions results in fractional allocations the members in the county or district having the highest fraction shall be entitled to nominate and select such director at a primary election. If a county or district is entitled to nominate and select more than one director at the primary election, the successful nominees of such county or district shall be the such entitled number of nominees receiving the highest number of votes. The successful nominees of such primary elections will be presented for election at the next annual meeting of the association. The Board of Directors may prescribe regulations governing the nomination of directors at primary elections in each county or district. Unless otherwise directed by the Board, the General Manager of the Association or his delegate shall convene and preside at the primary elections when directors are being nominated.

Section 3. The Board of Directors shall meet within ten days after their election at each annual meeting, and shall elect by ballot a President, Vice President, and a Secretary from among the Board Members, and a Treasurer and an Assistant Secretary-Treasurer who may or may not be a member of the Board, and a Manager who shall not be a member of the Board. The Manager of Central Carolina Farmers Exchange, Inc., shall be the executive head of the business operations of Central Carolina Farmers Exchange, Inc., and shall have authority, subject to the Board of Directors, to employ other persons, define their duties, fix their compensation and discontinue their services; and, subject to the Board of Directors, the Manager shall have the authority to exercise the powers and functions of any other officer of the Association.

Section 4. Any vacancy on the Board of Directors shall be filled for the unexpired term by a majority vote of the remaining directors, except that a vacancy occurring in the position of the director appointed by the Director of Agricultural Extension shall be filled in the same manner as the original appointment.

Section 5. A majority of the Board shall constitute a quorum.

Section 6. Any officer or director of the Association may be removed for cause, at any annual or special meeting called for the purpose, in the manner provided by law.

ARTICLE VII. DUTIES OF DIRECTORS

Section 1. The Board of Directors shall control and direct the business of the Association and make necessary policies and regulations not inconsistent with the laws or these Bylaws.

Section 2. The Board of Directors shall elect a Manager, and fix his powers, duties, responsibilities and compensation, consistent with ARTICLE VI, Section 3, of these Bylaws.

Section 3. The Board of Directors shall require such bond as they deem proper of all its officers or employees responsible for funds or property of the Association.

Section 4. The Board of Directors shall have charge of the purchase of land or the construction or leasing of warehouses or buildings necessary for the proper conduct of the business of the Association; but the Board of Directors may authorize the General Manager to act in any such matter subject to such terms and conditions as the Board may prescribe.

Section 5. The Board of Directors at their first meeting after annual election shall elect an Executive Committee of six consisting of the President, Vice-President, Secretary-Treasurer and three other members. It shall be the duties of the Executive Committee to act in the place of the Board of Directors on matters not requiring the full Board and on matters which the Board may designate authority to act to their Executive Committee. Minutes of Executive Committee meetings shall be kept and their action subject to the final approval of the Board of Directors.

Section 6. The Board of Directors shall hold their regular meetings at the office of the Association in the Town of Durham, North Carolina, or at a place designated by the President. Special meetings of the Board shall be held by call of the President or Manager.

Section 7. Members of the Board of Directors shall receive actual expenses to and from meetings of the Board and pay per day basis for time used for Board meetings.

Section 8. Compensation for any official shall be determined by the Board of Directors at any regular or called meeting.

Section 9. Any member of the Board of Directors of Executive Committee missing two meetings in succession unless providentially hindered and in the opinion of the majority of the Board justified in being absent shall be disqualified as a member of said Board and shall be replaced by a majority vote of the members of the Board of Directors.

Section 10. A person must be a holder of common stock in this Association, an active patron, and voluntarily support its marketing and purchasing program in order to be eligible for the office of

director. Any person acting as agent for, or employee of, a company handling products in competition with the Association is not eligible for election as director.

Section 11. The Board of Directors shall determine the time for redemption or retirement of shares of stock held by members and shall provide for the acquisition of shares of stock at par value when due. The Board of Directors further shall provide regulations under which the equity in accumulated reserves, whether capital reserves or otherwise, of a retiring member whose membership stock has been retired; shall be liquidated and paid to such retiring members;

Provided; That with respect to such part of any such member's equity in reserves, whether capital reserves or otherwise, as shall have been evidenced by the issue of certificates or other documents, issued subject to definitive terms, such equities shall be retired at the same time and in the same manner as other evidences of like equity, according to the terms thereof.

Section 12. The Board of Directors is authorized and empowered, if in its discretion the financial condition and earnings of the Association justify it, to pay at the end of each fiscal year a bonus to its officers and employees.

ARTICLE VIII. DUTIES OF PRESIDENT

Section 1. The President shall preside over the meetings of the members and directors.

Section 2. He shall call meetings of the Board of Directors in special session whenever such action becomes necessary.

Section 3. He shall sign, as President, stock certificates and all contracts, notes or other instruments as the Board of Directors may direct.

Section 4. He shall have such other and further duties as may be assigned to him by the Board of Directors.

ARTICLE IX. DUTIES OF VICE-PRESIDENT

Section 1. The Vice-President shall preside over the meetings of the members and directors, and perform all duties of the President in the absence of the President.

Section 2. He shall have such other and further duties as may be assigned to him by the Board of Directors.

ARTICLE X. DUTIES OF THE SECRETARY—THE TREASURER—THE ASSISTANT SECRETARY—TREASURER AND OF THE MANAGER

Section 1. The Secretary shall keep the minutes and records of meetings of the Board of Directors, and of the Executive Committee, reflecting the proceedings at said meetings. He shall make records of all motions made and passed by the Board and all resolutions passed, also record of policies adopted, and include these in the minutes of the meeting in which the Board passed or adopted.

Section 2. The Secretary shall keep the minutes of all stockholders meetings and of annual reports made to the members. The records and minutes of the Secretary and of the Treasurer, shall be kept in the fireproof vault at the main office of the Association for safe keeping.

Section 3. The Secretary shall sign all stock certificates except as he may delegate this authority to another officer or employee of the Association. The Secretary may designate one employee of the Association to prepare the minutes and records for him from time to time. Upon approval by the Board and signed by the President and Secretary, the minutes shall be kept with the permanent records at the main office.

Section 4. The Treasurer shall keep copies of the monthly financial reports made to the Board by the Manager and these shall be attached with the minutes of the monthly meeting.

Section 5. The Treasurer shall sign financial documents, official contracts and obligations for Central Carolina Farmers Exchange, Inc., and have such other duties and responsibilities as are assigned to him by the Board of Directors.

Section 6. The Assistant Secretary-Treasurer shall act for the Secretary, and/or the Treasurer, when authorized by Board of Directors or by the Secretary and/or the Treasurer.

Section 7. The Manager shall have charge of all records, accounts, and funds of the Association. He shall make collections for all products sold through the Association and receive all payments on purchases.

Section 8. He shall have charge of receiving farm products for sale and the unloading and delivering of supplies or purchases to members.

Section 9. The Manager may, when granted authority by the Board of Directors, borrow money and sign notes securing loans and other such documents, as Manager, necessary to facilitate the operation of the business.

Section 10. With consent of the Board of Directors, he shall have the right to authorize some person to receive and disburse the funds of the Association.

Section 11. He shall submit operating statements and financial reports of the Association to the Board of Directors at each meeting. He shall also submit an annual report to the members in annual meetings and such other special reports as the Board of Directors may require. The Manager shall make a report annually on the operations of the Association to the North Carolina Division of Markets, State Department of Agriculture, Raleigh, North Carolina.

Section 12. He shall have such other and further duties as may be assigned to him by the Board of Directors.

ARTICLE XI. CAPITAL STOCK

Section 1. The authorized capital stock of this Association is \$5,000,000, divided into 200,000 shares of preferred stock of the par value of \$10.00 per share, and the remaining \$3,000,000 of said authorized capital stock shall consist of common stock. The common stock shall be divided into 1,000,000 shares of the par value of \$1.00 per share, which said shares are now issued and outstanding at the time of the adoption of these Articles of Incorporation, and the remainder of said common stock, to be hereafter issued, shall be of the par value of \$10.00 per share. All common stock of the Association issued after the adoption of these Articles of Incorporation shall, except as hereinafter set out, be of the par value of \$10.00 per share. As common stock now outstanding of the par value of \$1.00 per share may hereafter be called for reissue by the Association, any stock thereafter issued in lieu thereof shall be of the par value of \$10.00 per share; and all \$1.00 par value stock hereafter surrendered or redeemed by the holders or purchased or retired by the Association shall increase, pro tanto, the amount of authorized common stock of the par value of \$10.00 which the Association may thereafter issue.

Section 2. There shall be no fractional shares of Common Stock issued by the Association after the adoption of these Articles of Incorporation; except that such fractional shares may be issued by action of the Board of Directors. If a non-stockholder is entitled to less than one full share, such share will be held by the Association until such time when one full share has been accumulated. Fractional shares will not bear dividends and will not have the rights and privileges of full shares.

Section 3. Each holder of common stock shall be entitled to one vote only in all matters pertaining to the affairs and business of the Association. Common stock shall be entitled to a dividend not to exceed six per cent (6%) per annum, payable only if, as, and when declared, out of any net savings after the payment of dividends on preferred stock.

Section 4. The ownership of common stock of this Association shall be restricted to persons, firms or corporations who are producers of agricultural products, or users of agricultural supplies handled by the Association. No purported assignment or transfer of common stock in the Association shall pass to any person not entitled under the foregoing to hold the same, any rights or privileges on account of such stock, or in the management or control of the Association. The findings of the Board of Directors as to eligibility under the above provisions shall be final and conclusive. The Board of Directors shall have discretion to permit or deny the acquiring of common stock by persons entitled under the foregoing, and the discretion to prohibit the sale or transfer of said stock to any person or corporation. All common stock assigned or transferred shall be transferable only upon the books of the Association, and no stock of any shareholder indebted to the Association shall be transferred on the books except to the Association itself.

Section 5. The holding of common stock in this Association shall be subject to termination or cancellation by action of the Board of Directors. No shareholder shall own common stock of a greater aggregate par value than twenty per cent (20%) of the paid-in

capital stock. The Association shall have the right in the manner provided by the Board of Directors to purchase and retire common stock at par, at any time, and to purchase, retire and transfer the stock of any member whose stock is for sale.

Section 6. The preferred stock of this Association may be held by any person, firm or corporation, and shall be transferable upon the books of the Association in the same manner as provided for the transfer of common stock. Holders of preferred stock shall not be entitled to a vote in any meetings of the Association. Such stock shall be entitled to cumulative annual dividends, which said dividends shall be fixed by the Board of Directors from time to time upon the issuance of said stock, and said rate of dividend shall be printed on each certificate of stock. But in no event shall the dividend exceed eight per cent (8%) per annum, first payable out of any net savings of the Association. Upon any dissolution or distribution the preferred stock shall be first entitled to redemption up to its par value plus any annual or accumulated dividends then due and unpaid out of any net assets. Preferred stock shall be issued and sold, redeemed and retired at such times and upon such conditions as shall be determined by the Board of Directors and set forth in the certificates of preferred stock.

Section 7. Debentures. The Association is authorized to sell to members and others, and to issue to members and other patrons in payment of patronage refunds, debentures, which may be secured or unsecured. Such debentures shall be identified upon their face as to the year of issuance and by any other identification that may be deemed advisable. Such debentures may be issued with such due date, with or without the right of anticipation, and shall bear such rates of interest as the Board of Directors may prescribe, provided such interest shall in no event exceed eight per cent (8%) per annum. A record of all holders of such debentures shall be kept and maintained by the Association and such debentures shall be transferable only on the records of the Association, and no transfer of such debentures shall be binding upon the Association unless so transferred. Such debentures shall be debts of the Association and shall be entitled to equal priority with all other secured or unsecured debts of the Association, depending upon whether or not they are issued with or without security.

Section 8. Certificates of Equity. The Association is authorized to issue to members and other patrons in payment of patronage refunds, certificates of equity without due dates. Such certificates of equity shall be issued in annual series and shall be identified by the year in which they are issued. Such certificates of equity may bear such rates of interest, if any, as the Board of Directors of the Association may prescribe, provided such interest shall in no event exceed six (6%) per cent per annum. A record of all holders of such certificates of equity shall be kept and maintained by the Association and such certificates shall be transferable only on the records of the Association, and no transfer of certificates shall be binding upon the Association unless so transferred. All debts of the Association, both secured and unsecured, shall be entitled to priority over all outstanding certificates of equity. Each series of such certificates of equity may be retired fully or on a pro rata basis by the Board of Directors of the Association in the order of issuance by years as funds are available for that purpose.

Section 9. Capital Reserves. The Board of Directors is authorized to continue, and to and/or establish capital reserves (i.e., any

reserves that are carried as a part of the net worth of the Association) in any amount or amounts that are deemed by the Board to be reasonable and for a necessary purpose. The interest of the members and patrons in and to such reserves and their ownership thereof shall at all times be recognized and readily ascertainable from the records of the Association. Equities in such capital reserves may be retired fully or on a pro rata basis by the Board of Directors of the Association in the order of their issuance by years provided funds are available for that purpose.

Section 10. With regard to Certificate of Equity and Capital Reserves. The Board of Directors shall have the power from time to time, and at any time, to pay off or retire or secure a release or satisfaction of any equity of any member or patron in such capital reserves upon the death of a member or patron or in order to compromise or settle a dispute or debt between the holder thereof and the Association, or to assist in the collection of a bad debt otherwise uncollectable or for any other reason deemed valid by the Board of Directors.

ARTICLE XII. DUTIES AND RIGHTS OF MEMBERS

Section 1. No member shall hold more than twenty per cent (20%) of the paid-in common capital stock of the Association.

Section 2. Transfer of shares shall be made only on the books of the Association in accordance with regulations established by the Board of Directors, and then only when the shareholder is free from any financial obligations to Central Carolina Farmers Exchange, Inc.

Section 3. The Association reserves the right of purchasing the stock of any member whose stock is for sale, and shall restrict the transfer of stock to such persons as are eligible for membership.

Section 4. The Association may, at its discretion, replace stock certificates which have been lost or destroyed, provided the Association is given a statement which is signed by the stockholder showing he has been paid for said stock or issued new stock.

ARTICLE XIII. EXPENSE AND PAYMENTS

Section 1. The expense of operating the Association shall be met by a percentage charge laid upon products sold and supplies purchased or by uniform price per package or unit. The amount of such charges shall be fixed by the Manager and shall be sufficient to pay all expenses and services rendered including the overhead expenses of the Association, and to provide a sound and practical operating margin above all expenses.

Section 2. One dollar annually shall be withheld from each patron's share of the net savings to pay the subscription to the Patron, which is the paper published monthly by Central Carolina Farmers Exchange, Inc., for the benefit of all patrons.

ARTICLE XIV. MARKETING

Section 1. The Association may provide for such rules and regulations for grading of products as are approved by the North

Carolina Division of Markets. The Association may levy a service charge on the amount of business transacted sufficient to cover the necessary expenses and service and inspection charges of the State Division of Markets.

Section 2. Marketing agreements of a year's duration may be required by the Board of Directors for handling certain crops of the members of the Association.

Section 3. Penalty for violating any marketing agreement may be prescribed by the Board of Directors in the contract.

Section 4. This Association may market the products of non-members in an amount the value of which does not exceed the value of the products marketed for members.

ARTICLE XV. PURCHASING

Section 1. The Board of Directors shall delegate to the Manager authority for purchasing of merchandise and supplies and authority for fixing the terms of sale and selling prices of all items to be sold.

Section 2. The directors may authorize the establishment of branch warehouses in any locality which, in their opinion, is desirable.

Section 3. Association may purchase supplies and equipment for non-members in an amount the value of which does not exceed the value of the supplies and equipment purchased for members, provided that the purchases for persons who are neither members nor producers shall not exceed fifteen (15%) per cent of the value of all such purchases.

ARTICLE XVI. INDEBTEDNESS

Section 1. The amount of indebtedness which may be incurred by the Association shall not at any time exceed the value of the net worth of the Association.

Section 2. No member shall be liable for more than the amount of his paid-in capital stock. The paid-in capital stock is non-assessable.

ARTICLE XVII. DIVIDENDS

Section 1. This Association shall be so operated that its active patrons, stockholders or members and non-members alike, will currently furnish money through their patronage for capitalizing the Association; and with the view of revolving the capital furnished in earlier years. In order to induce patronage and to assure that this Association, in both its marketing department and its purchasing department, will operate on a non-profit basis relative to the transactions of its patrons, members and non-members alike, the Association is hereby obligated, after allocating its operating and maintenance costs and expenses, including valuation and expense reserves, interest and dividends, if any, on capital stock, between departments in accordance with the accepted accounting principles and procedures, to distribute the

balance, remaining from the operations of each department, among the patrons of the department, members and non-members alike, for the year in question in the form of cash, of certificates of stock, of debentures, of certificates of equity and/or of credits to its capital reserve accounts.

All of the balance from the operations of each department at the moment of receipt by the Association is received with the understanding that it was furnished as capital by patrons. All of the balance in each department, whether evidenced by certificates of stock, debentures, certificates of equity or credits to the capital reserve accounts, shall have the same status as though it had been paid to the patrons in cash and the patrons had then furnished to the Association corresponding amounts of capital. The rate of interest, if any, to be paid on certificates of equity shall be at the discretion of the Board of Directors but shall not exceed 6%.

In the event of losses in one department and savings in the other department, such loss shall be absorbed by such savings to the extent possible. In the event the Association suffers a loss in any year, the Board of Directors shall prescribe the basis on which the credits to the patrons in the capital reserve accounts and in other reserves heretofore accumulated shall be reduced on account of any such loss, so that it will be borne by the patrons as equitably as the directors find practicable.

In order to further the cooperative character of this Association, it may revolve its capital, including other reserves heretofore accumulated, as funds are determined by the Board of Directors to be available for that purpose to the extent and in the manner prescribed by the Board of Directors, but the oldest equity among the patrons of the Association, the Board of Directors, at their discretion, shall have the power at any time to pay off or retire or secure the release or satisfaction of any claim based upon capital in any form, including reserves heretofore accumulated; and shall further have the power, in its discretion, to do so to compromise or settle a dispute; or for the purpose of facilitating the settlement of an estate in bankruptcy, or otherwise; or on account of the removal of a former patron from the Association's trade territory; or for any other reason deemed valid by the Board of Directors.

Section 2. Whenever any portion of the balance remaining in the marketing or purchasing department of the Association is distributed by the issuance of common stock therefor at the end of any fiscal year, no stock certificate shall be issued to any patron until he is already the owner and holder of at least one share of \$10.00 par value common stock, or until the total of such distributions from one or more years equals at least the par value of one share of \$10.00 par value common stock. In all other cases each patron shall be notified of the amount that has been credited to his account, but the Association shall not be liable for interest or dividends on any such amount.

ARTICLE XVIII. ACCOUNTING AND AUDITS

Section 1. The Association shall install standard system of accounts, and provide accounting appurtenances that are necessary to conduct the business in a safe and orderly manner.

Section 2. A complete annual audit shall be made by an accountant selected by the Board of Directors. The Books of the Association shall be open at all times to any investigating

committee the members in regular or called meetings may elect.

In determining its Federal income tax liability, if any, and for all other accounting purposes, the Association may make carryovers and carrybacks as provided by law.

Section 3. Special audits may be made upon order of the Board of Directors or upon majority vote of the members present at any regular or special meeting.

ARTICLE XIX. FEDERATION

Section 1. A majority of the members present and represented at any regular or special meeting called for the purpose shall have the right to federate with other similar associations for the purpose of marketing and purchasing in larger quantities.

Section 2. The Association may purchase the stock of members of similar associations when such is for sale and transfer its assets and business.

ARTICLE XX. DISSOLUTION OF ASSOCIATION

Section 1. Upon the dissolution of the Association in any manner, proceeds from the disposition of assets shall be applied as follows:

2. To the retirement of preferred stock of the Association at its par value plus any accumulated dividends then due and unpaid.

3. To the retirement of any common stock and certificates of equity which may be issued to patrons in payment of patronage refunds of prior years and to the payment of unexhausted capital refunds.

4. The balance shall be distributed ratably to all patrons on an equitable basis.

ARTICLE XXI. AMENDMENTS

Section 1. The Articles of Incorporation of this Association may be amended at any regular or special meeting called for that purpose by a vote representing a majority or a quorum of the members attending the meeting. Notice of an amendment must be given to the members before the meeting and any amendment must first be approved by two-thirds of the Board of Directors.

The Bylaws may be amended by a majority vote of a quorum of the members attending a meeting and notice of the proposed amendment or amendments must be given to the members before the meeting.

Adopted by Stockholders February 21, 1963

Amended by Stockholders October 22, 1970



CCF's central office and Durham feed plant.

OTHER PUBLICATIONS

Riceland Foods—Innovative Cooperative in the International Market. J. David Morrissy. 1975. FCS Information 101. 138 pp.

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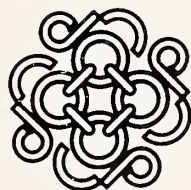
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